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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended January 27, 2013

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-20538

**ISLE OF CAPRI CASINOS, INC.**

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**41-1659606**  
(I.R.S. Employer  
Identification Number)

**600 Emerson Road, Suite 300, Saint Louis, Missouri**  
(Address of principal executive offices)

**63141**  
(Zip Code)

Registrant's telephone number, including area code: **(314) 813-9200**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of February 18, 2013, the Company had a total of 39,502,080 shares of Common Stock outstanding (which excludes 2,564,068 shares held by us in treasury).

**ISLE OF CAPRI CASINOS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share amounts)

	January 27, 2013 (unaudited)	April 29, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 67,830	\$ 94,461
Marketable securities	25,136	24,943
Accounts receivable, net	9,583	6,941
Insurance receivable	—	7,497
Income taxes receivable	4,409	2,161
Deferred income taxes	1,841	627
Prepaid expenses and other assets	25,736	18,950
Assets held for sale	—	46,703
Total current assets	<u>134,535</u>	<u>202,283</u>
Property and equipment, net	1,016,796	950,014
Other assets:		
Goodwill	330,903	330,903
Other intangible assets, net	60,957	56,586
Deferred financing costs, net	17,832	13,205
Restricted cash and investments	12,930	12,551
Prepaid deposits and other	7,169	9,428
Total assets	<u>\$ 1,581,122</u>	<u>\$ 1,574,970</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 5,410	\$ 5,393
Accounts payable	32,879	23,536
Accrued liabilities:		
Payroll and related	37,305	38,566
Property and other taxes	20,395	19,522
Interest	15,840	9,296
Progressive jackpots and slot club awards	15,790	14,892
Liabilities related to assets held for sale	—	4,362
Other	33,895	40,549
Total current liabilities	<u>161,514</u>	<u>156,116</u>
Long-term debt, less current maturities	1,147,817	1,149,038
Deferred income taxes	36,370	36,057
Other accrued liabilities	32,717	33,583
Other long-term liabilities	16,732	16,556
Stockholders' equity:		
Preferred stock, \$.01 par value; 2,000,000 shares authorized; none issued	—	—
Common stock, \$.01 par value; 60,000,000 shares authorized; shares issued: 42,066,148 at January 27, 2013 and 42,066,148 at April 29, 2012	421	421
Class B common stock, \$.01 par value; 3,000,000 shares authorized; none issued	—	—
Additional paid-in capital	245,782	247,855
Retained earnings (deficit)	(28,836)	(26,658)
Accumulated other comprehensive (loss) income	(396)	(855)
	<u>216,971</u>	<u>220,763</u>
Treasury stock, 2,573,769 shares at January 27, 2013 and 3,083,867 at April 29, 2012	(30,999)	(37,143)
Total stockholders' equity	<u>185,972</u>	<u>183,620</u>
Total liabilities and stockholders' equity	<u>\$ 1,581,122</u>	<u>\$ 1,574,970</u>

See notes to the consolidated financial statements.

**ISLE OF CAPRI CASINOS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except share and per share amounts)  
*(Unaudited)*

	Three Months Ended		Nine Months Ended	
	January 27, 2013	January 22, 2012	January 27, 2013	January 22, 2012
<b>Revenues:</b>				
Casino	\$ 248,404	\$ 236,649	\$ 733,321	\$ 711,583
Rooms	6,830	6,916	23,788	23,807
Food, beverage, pari-mutuel and other	32,749	30,935	95,992	91,285
Insurance recoveries	—	872	—	983
Gross revenues	287,983	275,372	853,101	827,658
Less promotional allowances	(49,888)	(48,051)	(155,976)	(141,307)
Net revenues	238,095	227,321	697,125	686,351
<b>Operating expenses:</b>				
Casino	39,166	37,700	114,464	111,843
Gaming taxes	63,289	59,603	183,536	178,555
Rooms	1,405	1,417	4,959	5,265
Food, beverage, pari-mutuel and other	10,987	9,553	30,308	29,096
Marine and facilities	13,979	13,745	41,567	42,804
Marketing and administrative	61,012	57,294	175,432	172,835
Corporate and development	7,506	7,824	26,756	29,417
Preopening expense	978	68	4,319	131
Depreciation and amortization	19,390	19,304	53,062	58,126
Total operating expenses	217,712	206,508	634,403	628,072
Operating income	20,383	20,813	62,722	58,279
Interest expense	(22,009)	(21,737)	(64,425)	(65,439)
Interest income	100	185	406	620
Derivative income	222	223	532	252
Loss from continuing operations before income taxes	(1,304)	(516)	(765)	(6,288)
Income tax benefit	302	200	166	2,383
Loss from continuing operations	(1,002)	(316)	(599)	(3,905)
Loss from discontinued operations, net of income taxes	(1,184)	(866)	(1,579)	(1,057)
Net loss	\$ (2,186)	\$ (1,182)	\$ (2,178)	\$ (4,962)
<b>Loss per common share-basic and dilutive:</b>				
Loss from continuing operations	\$ (0.03)	\$ (0.01)	\$ (0.02)	\$ (0.10)
Loss from discontinued operations, net of income taxes	(0.03)	(0.02)	(0.04)	(0.03)
Net loss	\$ (0.06)	\$ (0.03)	\$ (0.06)	\$ (0.13)
Weighted average basic shares	39,488,480	38,982,281	39,280,965	38,670,827
Weighted average diluted shares	39,488,480	38,982,281	39,280,965	38,670,827

See notes to the consolidated financial statements.

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**ISLE OF CAPRI CASINOS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(In thousands, except share amounts)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 27, 2013	January 22, 2012	January 27, 2013	January 22, 2012
Net loss	\$ (2,186)	\$ (1,182)	\$ (2,178)	\$ (4,962)
Other comprehensive income, net of tax:				
Deferred hedge adjustment, net of income tax provision of \$90 and \$268 for the three and nine months ended January 27, 2013, respectively, and \$198 and \$700 for the three and nine months ended January 22, 2012, respectively	148	328	445	1,164
Unrealized gain on interest rate cap contracts, net of income tax provision of \$- and \$8 for the three and nine months ended January 27, 2013, respectively, and \$13 and \$36 for the three and nine months ended January 22, 2012, respectively	—	20	14	59
Other comprehensive income	148	348	459	1,223
Comprehensive loss	\$ (2,038)	\$ (834)	\$ (1,719)	\$ (3,739)

See notes to the consolidated financial statements.

**ISLE OF CAPRI CASINOS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands, except share amounts)  
*(Unaudited)*

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accum. Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, April 29, 2012	42,066,148	\$ 421	\$ 247,855	\$ (26,658)	\$ (855)	\$ (37,143)	\$ 183,620
Net loss	—	—	—	(2,178)	—	—	(2,178)
Other comprehensive income (loss), net of tax	—	—	—	—	459	—	459
Issuance of restricted stock from treasury stock, net of forfeitures	—	—	(6,144)	—	—	6,144	—
Stock compensation expense	—	—	4,079	—	—	—	4,079
Other	—	—	(8)	—	—	—	(8)
Balance, January 27, 2013	42,066,148	\$ 421	\$ 245,782	\$ (28,836)	\$ (396)	\$ (30,999)	\$ 185,972

See notes to the consolidated financial statements.

**ISLE OF CAPRI CASINOS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
*(Unaudited)*

	Nine Months Ended	
	January 27, 2013	January 22, 2012
<b>Operating activities:</b>		
Net loss	\$ (2,178)	\$ (4,962)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	53,062	64,739
Amortization of deferred financing costs	4,220	4,439
Amortization of debt discount	163	155
Deferred income taxes	(1,178)	(3,290)
Stock compensation expense	4,079	6,317
Valuation allowance on Biloxi assets held for sale	1,500	—
Gain on derivative instruments	(532)	(252)
Loss on disposal of assets	2	18
Changes in operating assets and liabilities:		
Purchases of trading securities	(194)	(3,477)
Accounts receivable	(2,072)	2,014
Insurance receivable	7,497	(3,471)
Income tax receivable	(2,248)	(106)
Prepaid expenses and other assets	(4,477)	2,258
Accounts payable and accrued liabilities	21,868	6,126
Net cash provided by operating activities	79,512	70,508
<b>Investing activities:</b>		
Purchase of property and equipment	(123,570)	(45,965)
Payment for intangible asset	(5,000)	—
Proceeds from asset sales, net	33,200	—
Restricted cash and investments	(560)	163
Net cash used in investing activities	(95,930)	(45,802)
<b>Financing activities:</b>		
Principal payments on long-term debt	(361,366)	(4,078)
Proceeds from the issuance of long-term debt	350,000	—

Net borrowings (repayments) on line of credit	10,000	(23,000)
Payment of deferred financing costs	(8,847)	(393)
Proceeds from exercise of stock options	—	13
Net cash used in financing activities	(10,213)	(27,458)
Net decrease in cash and cash equivalents	(26,631)	(2,752)
Cash and cash equivalents, beginning of period	94,461	75,178
Cash and cash equivalents, end of the period	\$ 67,830	\$ 72,426

See notes to the consolidated financial statements.

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**ISLE OF CAPRI CASINOS, INC.**  
**Notes to Consolidated Financial Statements**  
(amounts in thousands, except share and per share amounts)  
*(Unaudited)*

**1. Nature of Operations**

Isle of Capri Casinos, Inc., a Delaware corporation, was incorporated in February 1990. Except where otherwise noted, the words “we,” “us,” “our” and similar terms, as well as “Company,” refer to Isle of Capri Casinos, Inc. and all of its subsidiaries. We are a developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in markets throughout the United States. Our wholly owned subsidiaries own and operate fourteen casino gaming facilities in the United States located in Black Hawk, Colorado; Lake Charles, Louisiana; Lula, Natchez and Vicksburg, Mississippi; Kansas City, Boonville, Cape Girardeau and Caruthersville, Missouri; Bettendorf, Davenport, Marquette and Waterloo, Iowa; and Pompano Beach, Florida.

**2. Basis of Presentation**

The accompanying condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) and in accordance with accounting principles generally accepted in the United States of America for interim financial reporting. Accordingly, certain information and note disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States have been condensed or omitted. In managements’ opinion, the accompanying interim condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results presented. The accompanying interim condensed consolidated financial statements have been prepared without audit. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended April 29, 2012 as filed with the SEC and all of our other filings, including Current Reports on Form 8-K, filed with the SEC after such date and through the date of this report, which are available on the SEC’s website at [www.sec.gov](http://www.sec.gov) or our website at [www.islecorp.com](http://www.islecorp.com).

Our fiscal year ends on the last Sunday in April. Periodically, this system necessitates a 53-week year. Fiscal 2013 is a 52-week year which commenced on April 30, 2012 and fiscal 2012 was a 53-week year, which commenced on April 25, 2011, with the fourth quarter having 14 weeks.

The condensed consolidated financial statements include our accounts and those of our subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior period financial statements to conform to the current period presentation. We view each property as an operating segment and all such operating segments have been aggregated into one reporting segment.

We evaluated all subsequent events through the date of the issuance of the consolidated financial statements. Other than the agreement with Tower Investments, Inc (See Note 14), no material subsequent events have occurred that required recognition in the condensed consolidated financial statements.

**3. Discontinued Operations**

On November 29, 2012, we completed the sale of our Biloxi, Mississippi casino operations. The balance sheet items related to Biloxi were classified as held for sale at April 29, 2012 and the results of operations are presented as discontinued operations for all periods presented. During the nine months ended January 27, 2013, we recorded a \$1,500 valuation allowance reflecting a credit against the purchase price to satisfy our obligation to repair the property after Hurricane Isaac, as required by the purchase agreement.

The results of our discontinued operations are summarized as follows:

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Discontinued Operatons			
Three Months Ended		Nine Months Ended	
January 27, 2013	January 22, 2012	January 27, 2013	January 22, 2012

Net revenues	\$	4,496	\$	14,927	\$	36,107	\$	49,175
Pretax loss from discontinued operations		(1,184)		(1,414)		(1,579)		(2,581)
Income tax benefit from discontinued operations		—		548		—		1,524
Loss from discontinued operations		(1,184)		(866)		(1,579)		(1,057)

#### 4. Flooding

Flooding along the Mississippi River caused five of our properties to close for portions of the nine months ended January 22, 2012. A summary of the closure dates and subsequent reopening is as follows:

	Closing Date	Reopening Date	Number Days Closed
Davenport, Iowa	April 15, 2011	May 1, 2011	15(A)
Caruthersville, Missouri	May 1, 2011	May 13, 2011	12
Lula, Mississippi	May 3, 2011	June 3, 2011	31
		September 2, 2011	91(B)
Natchez, Mississippi	May 7, 2011	June 17, 2011	41
Vicksburg, Mississippi	May 11, 2011	May 27, 2011	16

(A) Six days of closure in the first quarter of fiscal 2012 and nine days of closure in the fourth quarter of fiscal 2011.

(B) The second casino barge reopened on September 2, 2011 after flood damage was remediated.

During fiscal 2012, we settled all of our claims with our insurance carriers and collected the insurance receivable recorded at April 29, 2012 during the nine months ended January 27, 2013.

#### 5. Long-Term Debt

Long-term debt consists of the following:

	January 27, 2013	April 29, 2012
Senior Secured Credit Facility:		
Revolving line of credit, expires March 25, 2016, interest payable at least quarterly at either LIBOR and/or prime plus a margin	\$ 10,000	\$ —
Variable rate term loans, mature March 25, 2017, principal and interest payments due quarterly at either LIBOR and/or prime plus a margin	491,250	495,000
7.75% Senior Notes, interest payable semi-annually March 15 and September 15, net of discount	298,189	298,026
8.875% Senior Subordinated Notes, interest payable semi-annually June 15 and December 15	350,000	—
7% Senior Subordinated Notes, interest payable semi-annually March 1 and September 1	—	357,275
Other	3,788	4,130
	<u>1,153,227</u>	<u>1,154,431</u>
Less current maturities	<u>5,410</u>	<u>5,393</u>
Long-term debt	<u>\$ 1,147,817</u>	<u>\$ 1,149,038</u>

*Credit Facility* - Our Senior Secured Credit Facility, as amended ("Credit Facility"), consists of a \$300,000 revolving line of credit and a \$500,000 term loan. The Credit Facility is secured on a first priority basis by substantially all of our assets and guaranteed by all of our significant subsidiaries.

Our net line of credit availability at January 27, 2013, as limited by our maximum senior secured leverage covenant, was approximately \$243,000, after consideration of \$30,000 in outstanding surety bonds and letters of credit. We pay a commitment fee related to the unused portion of the Credit Facility of up to 0.625% which is included in interest expense in the accompanying consolidated statements of operations. The weighted average effective interest rate of the Credit Facility for the nine months ended January 27, 2013 was 5.10%.

The Credit Facility includes a number of affirmative and negative covenants. Additionally, we must comply with certain financial covenants including maintenance of a senior secured leverage ratio, a total leverage ratio and minimum interest coverage ratio. The Credit Facility also restricts our ability to make certain investments or distributions. We were in compliance with all covenants as of January 27, 2013.

*7.75% Senior Notes* — In March 2011, we issued \$300,000 of 7.75% Senior Notes due 2019 at a price of 99.264% ("7.75% Senior Notes"). The 7.75% Senior Notes are guaranteed, on a joint and several basis, by substantially all of our significant subsidiaries and certain other subsidiaries as described in Note 13. All of the guarantor subsidiaries are wholly owned by us. The 7.75% Senior Notes are general unsecured obligations and rank junior to all of our senior secured indebtedness and senior to our senior subordinated indebtedness. The 7.75% Senior Notes are redeemable, in whole or in part, at our option at any time on or after March 15, 2015, with call premiums as defined in the indenture governing the Senior Notes.

The indenture governing the 7.75% Senior Notes limits, among other things, our ability and our restricted subsidiaries ability to borrow money, make

restricted payments, use assets as security in other transactions, enter into transactions with affiliates, pay dividends, or repurchase stock. The indenture also limits our ability to issue and sell capital stock of subsidiaries, sell assets in excess of specified amounts or merge with or into other companies.

*8.875% Senior Subordinated Notes* — On August 7, 2012, we completed the issuance and sale of \$350,000 of 8.875% Senior Subordinated Notes due 2020 (the “New Subordinated Notes”) in a private offering. We received

net proceeds of \$343,000 for this issuance after deducting underwriting fees. We repurchased and retired all of our \$357,275, 7% Senior Subordinated Notes with proceeds from the issuance of the New Subordinated Notes and cash on hand.

As a result of the above transactions, we incurred expenses related to the write-off of deferred financing costs, issuance costs and other related fees of approximately \$2,500, including \$1,000 in non-cash charges, during the nine months ended January 27, 2013.

## 6. Earnings Per Share

The following table sets forth the computation of basic and diluted loss per share:

	Three Months Ended		Nine Months Ended	
	January, 27 2013	January, 22 2012	January, 27 2013	January, 22 2012
<b>Numerator:</b>				
Loss applicable to common shares:				
Loss from continuing operations	\$ (1,002)	\$ (316)	\$ (599)	\$ (3,905)
Loss from discontinued operations	(1,184)	(866)	(1,579)	(1,057)
<b>Net loss</b>	<b>\$ (2,186)</b>	<b>\$ (1,182)</b>	<b>\$ (2,178)</b>	<b>\$ (4,962)</b>
<b>Denominator:</b>				
Denominator for basic loss per share - weighted average shares	39,488,480	39,982,281	39,280,965	38,670,827
Effect of dilutive securities				
Employee stock options	—	—	—	—
Denominator for diluted loss per share - adjusted weighted average shares and assumed conversions	39,488,480	39,982,281	39,280,965	38,670,827
<b>Basic loss per share:</b>				
Loss from continuing operations	\$ (0.03)	\$ (0.01)	\$ (0.02)	\$ (0.10)
Loss from discontinued operations	(0.03)	(0.02)	(0.04)	(0.03)
<b>Net loss</b>	<b>\$ (0.06)</b>	<b>\$ (0.03)</b>	<b>\$ (0.06)</b>	<b>\$ (0.13)</b>
<b>Diluted loss per share:</b>				
Loss from continuing operations	\$ (0.03)	\$ (0.01)	\$ (0.02)	\$ (0.10)
Loss from discontinued operations	(0.03)	(0.02)	(0.04)	(0.03)
<b>Net loss</b>	<b>\$ (0.06)</b>	<b>\$ (0.03)</b>	<b>\$ (0.06)</b>	<b>\$ (0.13)</b>

Our basic loss per share are computed by dividing net loss by the weighted average number of shares outstanding for the period. Due to the loss from continuing operations for the three and nine months ended January 27, 2013, stock options representing 18,041 and 22,206 shares, which are potentially dilutive, and 1,009,160 and 1,009,160 shares, which are anti-dilutive, were excluded from the calculation of common shares for diluted loss per share for that period. Due to the loss from continuing operations for the three and nine months ended January 22, 2012, stock options representing zero and 21,655 shares, which are potentially dilutive, and 1,279,710 and 1,069,710 shares, which are anti-dilutive, were excluded from the calculation of common shares for diluted loss per share for that period. As the minimum market performance conditions related to our restricted stock units have not been achieved as of January 27, 2013, 1,714,286 shares have been excluded from the calculation of diluted earnings per share for our three and nine months then ended.

## 7. Stock Based Compensation

Under our Amended and Restated 2009 Long Term Stock Incentive Plan we have issued restricted stock units, restricted stock and stock options.

*Restricted Stock Units*—During the nine months ended January 27, 2013, we granted restricted stock units (“RSUs”) containing market performance conditions which will determine the ultimate amount of RSUs, if any, to be awarded up to 1,714,286 shares. Any RSUs earned will vest 50% on April 26, 2015 and 50% on April 24, 2016. The fair value of these RSUs is determined utilizing a lattice pricing model which considers a range of assumptions including volatility and risk-free interest rates. The aggregate compensation cost related to these RSUs is \$4,932 to be recognized over the vesting periods. As

of January 27, 2013, our unrecognized compensation cost for these RSUs is \$4,211.

*Restricted Stock* —During the nine months ended January 27, 2013, we issued 350,634 shares of restricted stock with a weighted average grant-date fair value of \$6.01 to employees and 176,078 shares of restricted stock with a weighted-average grant date fair value of \$6.53 to directors. Restricted stock awarded to employees under annual long-term incentive grants primarily vests one-third on each anniversary of the grant date and for directors vests one-half on the grant date and one-half on the first anniversary of the grant date. Our estimate of forfeitures for

restricted stock for employees is 5%. No forfeiture rate is estimated for directors. As of January 27, 2013, our unrecognized compensation cost for unvested restricted stock is \$2,695 with a remaining weighted average vesting period of 1.1 years.

*Stock Options* - We have issued incentive stock options and nonqualified stock options which have a maximum term of 10 years and are, generally, vested and exercisable in yearly installments of 20% commencing one year after the date of grant. As of January 27, 2013, our unrecognized compensation cost for unvested stock options was \$87 with a weighted average vesting period of 0.5 years.

## 8. Interest Rate Derivatives

We have entered into various interest rate derivative agreements in order to manage market risk on variable rate term loans outstanding. At January 27, 2013, we have an interest rate swap agreement with an aggregate notional value of \$50,000 with a maturity date in September 2013. Previously we had additionally entered into interest rate cap contracts, which matured prior to January 27, 2013.

The fair values of derivatives included in our consolidated balance sheet are as follows:

Type of Derivative Instrument	Balance Sheet Location	January 27, 2013	April 29, 2012
Interest rate swap contracts	Accrued interest	\$ 1,248	\$ —
Interest rate swap contracts	Other long-term liabilities	—	2,493

The interest rate cap agreements met the criteria for hedge accounting for cash flow hedges. As a result, there was no impact on our consolidated statement of operations from changes in fair value of the interest rate cap agreements. The loss recorded in other comprehensive income (loss) for our interest rate cap agreements is recorded net of a deferred income tax benefit of \$8 as of April 29, 2012. The change in unrealized loss on our derivatives qualifying for hedge accounting was an immaterial amount for the three and nine months ended January 27, 2013. The change in unrealized loss on our derivatives qualifying for hedge accounting was \$0 and \$26 for the three and nine months ended January 22, 2012, respectively.

Our interest rate swaps no longer meet the criteria for hedge effectiveness, and therefore changes in the fair value of the swaps subsequent to the date of ineffectiveness in February 2010, are recorded in derivative income in the consolidated statement of operations. The cumulative loss recorded in other comprehensive income (loss) through the date of ineffectiveness is being amortized into derivative expense over the remaining term of the individual interest rate swap agreements or when the underlying transaction is no longer expected to occur. As of January 27, 2013, the weighted average fixed LIBOR interest rate of our interest rate swap agreement was 3.995%.

The loss recorded in other comprehensive income (loss) of our interest rate swap agreements is recorded net of deferred income tax benefits of \$238 and \$506, as of January 27, 2013 and April 29, 2012, respectively.

Derivative income related to the change in fair value of interest rate swap contracts is as follows:

	Three Months Ended		Nine Months Ended	
	January 27, 2013	January 22, 2012	January 27, 2013	January 22, 2012
Derivative income	\$ 460	\$ 749	\$ 1,245	\$ 2,116

Derivative expense realized associated with the amortization of cumulative loss recorded in other comprehensive income (loss) for the interest rate swaps through the date of ineffectiveness is as follows:

	Three Months Ended		Nine Months Ended	
	January 27, 2013	January 22, 2012	January 27, 2013	January 22, 2012
Accumulated OCI amortization	\$ 148	\$ 328	\$ 445	\$ 1,164
Change in deferred taxes	90	198	268	700
Derivative income (expense)	(238)	(526)	(713)	(1,864)

The amount of accumulated other comprehensive income (loss) related to interest rate swap contracts and interest rate cap contracts maturing within the next twelve months was \$396, net of tax of \$238, as of January 27, 2013.



## 9. Fair Value

The fair value of our interest swap and cap contracts are recorded using Level 3 inputs at the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation.

The following table presents the changes in Level 3 liabilities measured at fair value on a recurring basis for the three and nine months ended January 27, 2013:

	Three Months Ended		Nine Months Ended	
	January 27, 2013	January 22, 2012	January 27, 2013	January 22, 2012
<b>Interest Rate Hedges</b>				
Beginning Balance	\$ (1,708)	\$ (3,663)	\$ (2,493)	\$ (5,004)
Realized gains/(losses)	460	749	1,245	2,116
Unrealized gains/(losses)	—	(3)	—	(29)
Ending Balance	\$ (1,248)	\$ (2,917)	\$ (1,248)	\$ (2,917)

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*Financial Instruments* - The estimated carrying amounts and fair values of our other financial instruments are as follows:

	January 27, 2013		April 29, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 67,830	\$ 67,830	\$ 94,461	\$ 94,461
Marketable securities	25,136	25,136	24,943	24,943
Restricted cash	12,930	12,930	12,551	12,551
Notes receivable	96	96	1,293	1,293
<b>Financial liabilities:</b>				
Revolving line of credit	\$ 10,000	\$ 9,300	\$ —	\$ —
Variable rate term loans	491,250	500,461	495,000	498,713
7.75% Senior notes	298,189	325,026	298,026	308,829
7% Senior subordinated notes	N/A	N/A	357,275	358,168
8.875% Senior subordinated notes	350,000	386,750	N/A	N/A
Other long-term debt	3,788	3,788	4,130	4,130
Other long-term obligations	16,732	16,732	16,556	16,556

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents, restricted cash and notes receivable are carried at cost, which approximates fair value due to their short-term maturities.

Marketable securities are based upon Level 1 inputs obtained from quoted prices available in active markets and represent the amounts we would expect to receive if we sold these marketable securities.

The fair value of our long-term debt or other long-term obligations is estimated based on the quoted market price of the underlying debt issue (Level 1) or, when a quoted market price is not available, the discounted cash flow of future payments utilizing current rates available to us for debt of similar remaining maturities (Level 3). Debt obligations with a short remaining maturity are valued at the carrying amount.

## 10. Accumulated Other Comprehensive Income (Loss)

A detail of accumulated other comprehensive income (loss) is as follows:

	January 27, 2013	April 29, 2012
Interest rate cap contracts	\$ —	\$ (14)
Interest rate swap contracts	(396)	(841)
	\$ (396)	\$ (855)

The amount of change in the gain (loss) recognized in accumulated other comprehensive income (loss) related to derivative instruments is as follows:

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Three Months Ended

Nine Months Ended

Type of Derivative Instrument	January 27, 2013		January 22, 2012	
Interest rate cap contract	\$	—	\$	20
Interest rate swap contracts		148		328
	\$	148	\$	348
	\$	14	\$	59
		445		1,164
	\$	459	\$	1,223

## 11. Income Taxes

Our effective income tax rates from continuing operations for the three and nine months ended January 27, 2013 were 23.2% and 21.7%, respectively, of pretax income. Our effective income tax rates from continuing operations for the three and nine months ended January 22, 2012 were 38.8% and 37.9%, respectively, of pretax income. Our income tax provision (benefit) from continuing operations and our effective rate are based on statutory rates applied to our income adjusted for permanent differences and to account for changes in valuation allowances. Our actual effective rate will fluctuate based upon the amount of our pretax book income, permanent differences and other items, including fluctuations in valuation allowances, used in the calculation of our income tax benefit.

A summary of our income tax benefit from continuing operations is as follows:

	Three Months Ended		Nine Months Ended	
	January 27, 2013	January 22, 2012	January 27, 2013	January 22, 2012
Federal taxes	\$ (457)	\$ (180)	\$ (268)	\$ (2,201)
State taxes	(67)	(55)	(38)	(473)
Permanent differences	337	347	998	880
Tax credits	(355)	(436)	(1,066)	(1,032)
Other	76	124	96	443
Valuation allowance	164	—	112	—
Income tax benefit from continuing operations	\$ (302)	\$ (200)	\$ (166)	\$ (2,383)

## 12. Supplemental Disclosures

*Cash Flow* — For the nine months ended January 27, 2013 and January 22, 2012, we made net cash payments for interest of \$57,239 and \$50,820, respectively. Additionally, we made income tax payments of \$3,073 and \$947 during the nine months ended January 27, 2013 and January 22, 2012, respectively.

For the nine months ended January 27, 2013 and January 22, 2012, the change in accrued purchases of property and equipment in accounts payable decreased by \$4,353 and increased by \$5,194, respectively.

For the nine months ended January 27, 2013 and January 22, 2012, we capitalized interest of \$2,330 and \$575, respectively, primarily related to construction of our casino in Cape Girardeau, Missouri.

## 13. Consolidating Condensed Financial Information

Certain of our wholly owned subsidiaries have fully and unconditionally guaranteed on a joint and several basis, the payment of all obligations under our 7.75% Senior Notes and 8.875% Senior Subordinated Notes.

The following wholly owned subsidiaries of the Company are guarantors, on a joint and several basis, under the 7.75% Senior Notes and 8.875% Senior Subordinated Notes: Black Hawk Holdings, L.L.C.; CCSC/Blackhawk, Inc.; IC Holdings Colorado, Inc.; IOC-Black Hawk Distribution Company, L.L.C.; IOC-Boonville, Inc.; IOC-Caruthersville, L.L.C.; IOC-Kansas City, Inc.; IOC-Lula, Inc.; IOC-Natchez, Inc.; IOC Black Hawk County, Inc.; IOC Davenport, Inc.; IOC Holdings, L.L.C.; IOC Services, LLC.; IOC-Vicksburg, Inc.; IOC-Vicksburg, LLC; Rainbow Casino Vicksburg Partnership, L.P.; IOC Cape Girardeau, LLC; Isle of Capri Bettendorf Marina Corporation; Isle of Capri Bettendorf, L.C; Isle of Capri Black Hawk Capital Corp.; Isle of Capri Black Hawk, L.L.C.; Isle of Capri Marquette, Inc.; P.P.I, Inc.; Riverboat Corporation of Mississippi; Riverboat Services, Inc.; and St. Charles Gaming Company, Inc.

Consolidating condensed balance sheets as of January 27, 2013 and April 29, 2012 are as follows (in thousands):

Balance Sheet	As of January 27, 2013				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated

Current assets	\$ 27,448	\$ 81,353	\$ 28,015	\$ (2,281)	\$ 134,535
Intercompany receivables	631,769	(188,175)	(41,061)	(402,533)	—
Investments in subsidiaries	680,629	(29,794)	—	(650,835)	—
Property and equipment, net	8,569	987,934	20,293	—	1,016,796
Other assets	40,852	373,134	26,149	(10,344)	429,791
Total assets	<u>\$ 1,389,267</u>	<u>\$ 1,224,452</u>	<u>\$ 33,396</u>	<u>\$ (1,065,993)</u>	<u>\$ 1,581,122</u>
Current liabilities	\$ 49,918	\$ 80,097	\$ 33,780	\$ (2,281)	\$ 161,514
Intercompany payables	—	402,533	—	(402,533)	—
Long-term debt, less current maturities	1,147,247	210	360	—	1,147,817
Other accrued liabilities	6,130	74,785	15,248	(10,344)	85,819
Stockholders' equity (deficit)	185,972	666,827	(15,992)	(650,835)	185,972
Total liabilities and stockholders' equity	<u>\$ 1,389,267</u>	<u>\$ 1,224,452</u>	<u>\$ 33,396</u>	<u>\$ (1,065,993)</u>	<u>\$ 1,581,122</u>

As of April 29, 2012

	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Balance Sheet</b>					
Current assets	\$ 52,532	\$ 120,711	\$ 29,324	\$ (284)	\$ 202,283
Intercompany receivables	673,849	(176,882)	(50,942)	(446,025)	—
Investments in subsidiaries	644,424	(29,795)	—	(614,629)	—
Property and equipment, net	9,194	908,586	32,234	—	950,014
Other assets	(5,524)	384,469	17,209	26,519	422,673
Total assets	<u>\$ 1,374,475</u>	<u>\$ 1,207,089</u>	<u>\$ 27,825</u>	<u>\$ (1,034,419)</u>	<u>\$ 1,574,970</u>
Current liabilities	\$ 37,509	\$ 89,213	\$ 29,690	\$ (296)	\$ 156,116
Intercompany payables	—	446,025	—	(446,025)	—
Long-term debt, less current maturities	1,145,301	3,264	473	—	1,149,038
Other accrued liabilities	8,045	37,175	14,445	26,531	86,196
Stockholders' equity (deficit)	183,620	631,412	(16,783)	(614,629)	183,620
Total liabilities and stockholders' equity	<u>\$ 1,374,475</u>	<u>\$ 1,207,089</u>	<u>\$ 27,825</u>	<u>\$ (1,034,419)</u>	<u>\$ 1,574,970</u>

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Consolidating condensed statements of operations for the three and nine months ended January 27, 2013 and January 22, 2012 are as follows (in thousands):

	For the Three Months Ended January 27, 2013				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Statement of Operations</b>					
Revenues:					
Casino	\$ —	\$ 248,404	\$ —	\$ —	\$ 248,404
Rooms, food, beverage, pari-mutuel and other	205	39,368	2,179	(2,173)	39,579
Gross revenues	205	287,772	2,179	(2,173)	287,983
Less promotional allowances	—	(49,888)	—	—	(49,888)
Net revenues	205	237,884	2,179	(2,173)	238,095
Operating expenses:					
Casino	—	39,166	—	—	39,166
Gaming taxes	—	63,289	—	—	63,289
Rooms, food, beverage, pari-mutuel and other	7,491	88,092	2,457	(2,173)	95,867
Management fee expense (revenue)	(8,302)	8,302	—	—	—
Depreciation and amortization	517	18,835	38	—	19,390
Total operating expenses	(294)	217,684	2,495	(2,173)	217,712
Operating income (loss)	499	20,200	(316)	—	20,383
Interest expense, net	(12,622)	(9,035)	(252)	—	(21,909)
Derivative income	222	—	—	—	222
Equity in income (loss) of subsidiaries	8,464	—	—	(8,464)	—
Income (loss) from continuing operations before income taxes	(3,437)	11,165	(568)	(8,464)	(1,304)
Income tax (provision) benefit	2,435	(2,355)	222	—	302
Income (loss) from continuing operations	(1,002)	8,810	(346)	(8,464)	(1,002)

Income (loss) of discontinued operations	(1,184)	(1,184)	—	1,184	(1,184)
Net income (loss)	<u>\$ (2,186)</u>	<u>\$ 7,626</u>	<u>\$ (346)</u>	<u>\$ (7,280)</u>	<u>\$ (2,186)</u>

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Statement of Operations	For the Three Months Ended January 22, 2012				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Revenues:					
Casino	\$ —	\$ 236,649	\$ —	\$ —	\$ 236,649
Rooms, food, beverage, pari-mutuel and other	479	38,236	2,254	(2,246)	38,723
Gross revenues	479	274,885	2,254	(2,246)	275,372
Less promotional allowances	—	(48,051)	—	—	(48,051)
Net revenues	479	226,834	2,254	(2,246)	227,321
Operating expenses:					
Casino	—	37,700	—	—	37,700
Gaming taxes	—	59,603	—	—	59,603
Rooms, food, beverage, pari-mutuel and other	8,744	82,076	1,327	(2,246)	89,901
Management fee expense (revenue)	(7,910)	7,910	—	—	—
Depreciation and amortization	489	18,677	138	—	19,304
Total operating expenses	1,323	205,966	1,465	(2,246)	206,508
Operating income (loss)	(844)	20,868	789	—	20,813
Interest expense, net	(6,022)	(15,365)	(165)	—	(21,552)
Derivative income	223	—	—	—	223
Equity in income (loss) of subsidiaries	4,692	—	—	(4,692)	—
Income (loss) from continuing operations before income taxes	(1,951)	5,503	624	(4,692)	(516)
Income tax (provision) benefit	1,635	(1,211)	(224)	—	200
Income (loss) from continuing operations	(316)	4,292	400	(4,692)	(316)
Income (loss) of discontinued operations	(866)	(1,306)	—	1,306	(866)
Net income (loss)	<u>\$ (1,182)</u>	<u>\$ 2,986</u>	<u>\$ 400</u>	<u>\$ (3,386)</u>	<u>\$ (1,182)</u>

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Statement of Operations	For the Nine Months Ended January 27, 2013				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Revenues:					
Casino	\$ —	\$ 733,321	\$ —	\$ —	\$ 733,321
Rooms, food, beverage, pari-mutuel and other	546	119,217	6,890	(6,873)	119,780
Gross revenues	546	852,538	6,890	(6,873)	853,101
Less promotional allowances	—	(155,976)	—	—	(155,976)
Net revenues	546	696,562	6,890	(6,873)	697,125
Operating expenses:					
Casino	—	114,464	—	—	114,464
Gaming taxes	—	183,536	—	—	183,536
Rooms, food, beverage, pari-mutuel and other	29,220	256,321	4,673	(6,873)	283,341
Management fee expense (revenue)	(24,410)	24,410	—	—	—
Depreciation and amortization	1,522	51,259	281	—	53,062
Total operating expenses	6,332	629,990	4,954	(6,873)	634,403
Operating income (loss)	(5,786)	66,572	1,936	—	62,722
Interest expense, net	(36,820)	(26,495)	(704)	—	(64,019)
Derivative income	532	—	—	—	532
Equity in income (loss) of subsidiaries	27,529	—	—	(27,529)	—
Income (loss) from continuing operations before income taxes	(14,545)	40,077	1,232	(27,529)	(765)

Income tax (provision) benefit	13,946	(13,338)	(442)	—	166
Income (loss) from continuing operations	(599)	26,739	790	(27,529)	(599)
Income (loss) of discontinued operations	(1,579)	(2,502)	—	2,502	(1,579)
Net income (loss)	<u>\$ (2,178)</u>	<u>\$ 24,237</u>	<u>\$ 790</u>	<u>\$ (25,027)</u>	<u>\$ (2,178)</u>

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	For the Nine Months Ended January 22, 2012				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Statement of Operations</b>					
Revenues:					
Casino	\$ —	\$ 711,583	\$ —	\$ —	\$ 711,583
Rooms, food, beverage, pari-mutuel and other	769	114,957	7,245	(6,896)	116,075
Gross revenues	769	826,540	7,245	(6,896)	827,658
Less promotional allowances	—	(141,307)	—	—	(141,307)
Net revenues	769	685,233	7,245	(6,896)	686,351
Operating expenses:					
Casino	—	111,843	—	—	111,843
Gaming taxes	—	178,555	—	—	178,555
Rooms, food, beverage, pari-mutuel and other	30,580	250,130	5,734	(6,896)	279,548
Management fee expense (revenue)	(24,075)	24,075	—	—	—
Depreciation and amortization	1,491	56,221	414	—	58,126
Total operating expenses	7,996	620,824	6,148	(6,896)	628,072
Operating income (loss)	(7,227)	64,409	1,097	—	58,279
Interest expense, net	(18,850)	(45,517)	(452)	—	(64,819)
Derivative income	252	—	—	—	252
Equity in income (loss) of subsidiaries	11,179	—	—	(11,179)	—
Income (loss) from continuing operations before income taxes	(14,646)	18,892	645	(11,179)	(6,288)
Income tax (provision) benefit	10,741	(6,092)	(2,266)	—	2,383
Income (loss) from continuing operations	(3,905)	12,800	(1,621)	(11,179)	(3,905)
Income (loss) of discontinued operations	(1,057)	(2,663)	—	2,663	(1,057)
Net income (loss)	<u>\$ (4,962)</u>	<u>\$ 10,137</u>	<u>\$ (1,621)</u>	<u>\$ (8,516)</u>	<u>\$ (4,962)</u>

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Consolidating condensed statements of cash flows for the nine months ended January 27, 2013 and January 22, 2012 are as follows (in thousands):

	Nine Months Ended January 27, 2013				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Statement of Cash Flows</b>					
Net cash provided by (used in) operating activities	\$ (46,926)	\$ 126,002	\$ 436	\$ —	\$ 79,512
Net cash provided by (used in) investing activities	27,945	(85,467)	(9,672)	(28,736)	(95,930)
Net cash provided by (used in) financing activities	(9,872)	(37,803)	8,726	28,736	(10,213)
Net increase (decrease) in cash and cash equivalents	(28,853)	2,732	(510)	—	(26,631)
Cash and cash equivalents at beginning of the period	39,365	50,749	4,347	—	94,461
Cash and cash equivalents at end of the period	<u>\$ 10,512</u>	<u>\$ 53,481</u>	<u>\$ 3,837</u>	<u>\$ —</u>	<u>\$ 67,830</u>

	Nine Months Ended January 22, 2012				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Statement of Cash Flows</b>					
Net cash provided by (used in) operating activities	\$ 3,240	\$ 65,531	\$ 1,737	\$ —	\$ 70,508
Net cash provided by (used in) investing activities	28,588	(43,876)	(969)	(29,545)	(45,802)
Net cash provided by (used in) financing activities	(27,131)	(22,628)	(7,244)	29,545	(27,458)
Net increase (decrease) in cash and cash equivalents	4,697	(973)	(6,476)	—	(2,752)
Cash and cash equivalents at beginning of the period	3,952	62,105	9,121	—	75,178

Cash and cash equivalents at end of the period \$ 8,649 \$ 61,132 \$ 2,645 \$ — \$ 72,426

#### 14. Commitments and Contingencies

*Development Projects*—The Pennsylvania Gaming Control Board (“PGCB”) has selected the Nemacolin Woodlands Resort (“Nemacolin”) in Farmington, Pennsylvania to be awarded a Category 3 resort gaming license. We have an agreement with Nemacolin to complete the build-out of the casino space and provide management services of the casino. We currently estimate the project cost to be approximately \$57,000 to \$60,000, including licensing fees, and we expect to open Lady Luck Nemacolin during summer 2013. To date, we have expended approximately \$10,000.

*Subsequent Event* - On February 1, 2013, we signed an agreement with Tower Investments, Inc. to manage The Provence, the resort and casino on North Broad Street, Philadelphia (the “Project”), proposed by Tower Entertainment, LLC (the “Tower JV”), if the Project is selected by the PGCB. The Tower JV is one of six

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applicants for the final gaming license in Philadelphia. As part of our agreement with the Tower JV, we loaned \$25,000 to the Tower JV in the form of a stand-by letter of credit issued for the purpose of securing the Pennsylvania gaming license fee relating to the Project. The \$25,000 letter of credit can only be drawn upon if the Tower JV is awarded the license. If the Tower JV is selected, we have the option to convert the \$25,000 loan into a minority investment in the Tower JV.

*Legal and Regulatory Proceedings*—We and our wholly-owned subsidiary, Riverboat Corporation of Mississippi - Vicksburg, are defendants in a lawsuit filed in the Circuit Court of Adams County, Mississippi by Silver Land, Inc., alleging breach of contract in connection with our 2006 sale of casino operations in Vicksburg, Mississippi, to a third party. In January 2011, the court ruled in favor of Silver Land and in September 2011 the court awarded damages of \$1,979. We filed a notice of appeal in November 2011 and oral arguments were held in January 2013. While the outcome of this matter is still in doubt and cannot be predicted with any degree of certainty, we have accrued an estimated liability, including interest, of \$2,119. We intend to continue a vigorous and appropriate appeal of this judgment.

We have been named as a defendant in a complaint filed in the Circuit Court for Broward County, Florida. The complaint alleges we sent unsolicited fax advertisements in violation of the Telephone Consumer Protection Act of 1991, as amended by the Junk Fax Prevention Act of 2005 (the “TCPA”), and seeks to certify a class action. The complaint seeks statutory damages for alleged negligent and willful violations of the TCPA, attorneys’ fees, costs and injunction relief. The TCPA provides for statutory damages of \$0.5 for each violation (\$1.5 for willful violations). We intend to vigorously defend ourselves. This matter is subject to additional discovery and other legal proceedings and while the ultimate outcome is unknown, we have accrued \$1,000 as our current estimate of the most probable outcome of this matter.

Our wholly owned subsidiary, Lady Luck Gaming Corporation and several joint venture partners have been defendants in the Greek Civil Courts and the Greek Administrative Courts in similar lawsuits brought by the country of Greece. The actions allege that the defendants failed to make specified payments in connection with the gaming license bid process for Patras, Greece. Although it is difficult to determine the damages being sought from the lawsuits, the action may seek damages up to that aggregate amount plus interest from the date of the action.

In the Civil Court lawsuit, the Civil Court of First Instance ruled in our favor and dismissed the lawsuit in 2001. Greece appealed to the Civil Appeal Court and, in 2003, the Court rejected the appeal. Greece then appealed to the Civil Supreme Court and, in 2007, the Supreme Court ruled that the matter was not properly before the Civil Courts and should be before the Administrative Court.

In the Administrative Court lawsuit, the Administrative Court of First Instance rejected the lawsuit stating that it was not competent to hear the matter. Greece then appealed to the Administrative Appeal Court, which court rejected the appeal in 2003. Greece then appealed to the Supreme Administrative Court, which remanded the matter back to the Administrative Appeal Court for a hearing on the merits. The re-hearing took place in 2006, and in 2008 the Administrative Appeal Court rejected Greece’s appeal on procedural grounds. On December 22, 2008 and January 23, 2009, Greece appealed the ruling to the Supreme Administrative Court. A hearing was held during November 2012. The Supreme Administrative Court requested both parties file briefs within 90 days.

The outcome of this matter is still in doubt and cannot be predicted with any degree of certainty. We intend to continue a vigorous and appropriate defense to the claims asserted in this matter. Through January 27, 2013, we have accrued an estimated liability including interest of \$13,758. Our accrual is based upon management’s estimate of the original claim by the plaintiffs for lost payments. We continue to accrue interest on the asserted claim. We are unable to estimate a total possible loss as information as to possible additional claims, if any, have not been asserted or quantified by the plaintiffs at this time.

We are subject to certain federal, state and local environmental protection, health and safety laws, regulations and ordinances that apply to businesses generally, and are subject to cleanup requirements at certain of our facilities as a result thereof. We have not made, and do not anticipate making material expenditures, nor do we anticipate incurring delays with respect to environmental remediation or protection. However, in part because our present

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and future development sites have, in some cases, been used as manufacturing facilities or other facilities that generate materials that are required to be remediated under environmental laws and regulations, there can be no guarantee that additional pre-existing conditions will not be discovered and we will not experience material liabilities or delays.

We are subject to various contingencies and litigation matters and have a number of unresolved claims. Although the ultimate liability of these contingencies, this litigation and these claims cannot be determined at this time, we believe they will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

*This report contains statements that we believe are, or may be considered to be, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this report regarding the prospects of our industry or our prospects, plans, financial position or business strategy, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as "may," "will," "expect," "intend," "estimate," "foresee," "project," "anticipate," "believe," "plans," "forecasts," "continue" or "could" or the negatives of these terms or variations of them or similar terms. Furthermore, such forward-looking statements may be included in various filings that we make with the SEC or press releases or oral statements made by or with the approval of one of our authorized executive officers. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements contained herein, which reflect management's opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements. You are advised, however, to consult any additional disclosures we make in our reports to the SEC. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this report.*

For a more complete description of the risks that may affect our business, see our Annual Report on Form 10-K for the year ended April 29, 2012.

### Executive Overview

We are a developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in regional markets in the United States. We have intentionally sought geographic diversity to limit the risks caused by weather, regional economic difficulties and local gaming authorities and regulations. We currently operate casinos in Mississippi, Louisiana, Missouri, Iowa, Colorado and Florida. We also operate a harness racing track at our casino in Florida.

Our operating results for the periods presented have been affected, both positively and negatively, by current economic conditions and several other factors discussed in detail below. Our historical operating results may not be indicative of our future results of operations because of these factors and the changing competitive landscape in each of our markets, as well as by factors discussed elsewhere herein. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K for the year ended April 29, 2012 and by giving consideration to the following:

*Items Impacting Loss from Continuing Operations*— Significant items impacting our loss from continuing operations during the fiscal quarters ended January 27, 2013, and January 22, 2012 are as follows:

*Isle Casino Cape Girardeau Opening* — We opened our new casino in Cape Girardeau, Missouri on October 30, 2012.

*Construction Disruption* — During fiscal 2013 we have undertaken significant renovation projects at our Lake Charles and Vicksburg properties. In Lake Charles we renovated our main hotel tower which resulted in approximately 1/3 of the rooms being out of service at any given time. In Vicksburg we completely rebranded the property into a Lady Luck branded property. Both projects were substantially

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completed during the third quarter; however certain areas of these properties were not easily accessible to our customers during the construction periods which had a negative impact on our operating results.

*Increased Competition* — From time to time, new or expanded facilities by our competitors impact our results. For example, competition from a new casino in Natchez opened at the end of December 2012 has the potential to negatively impact our Natchez casino. Competition from a new casino in Kansas which opened during February 2012 has negatively impacted our Kansas City casino and expansion by a competitor in February 2012 has negatively impacted our Pompano casino. Expansions by Arkansas based competitors have negatively impacted our Lula property.

*Flooding in Fiscal 2012*—Due to flooding along the Mississippi River, five of our properties were closed for portions of the nine months ended January 22, 2012. A summary of the closure dates and subsequent reopening is as follows:

Closing Date	Reopening Date	Number Days Closed
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Davenport, Iowa	April 15, 2011	May 1, 2011	15(A)
Caruthersville, Missouri	May 1, 2011	May 13, 2011	12
Lula, Mississippi	May 3, 2011	June 3, 2011	31
		September 2, 2011	91(B)
Natchez, Mississippi	May 7, 2011	June 17, 2011	41
Vicksburg, Mississippi	May 11, 2011	May 27, 2011	16

(A) Six days of closure in the first quarter of fiscal 2012 and nine days of closure in the fourth quarter of fiscal 2011.

(B) The second casino barge reopened on September 2, 2011 after flood damage was remediated.

*Income Tax Provision(Benefit)* — During the fourth quarter of fiscal 2012 we recorded a valuation allowance reducing our deferred tax assets, as a result of evaluating the expected net realizable value of our deferred tax assets, including our net operating loss carry forwards. Our actual effective rate will fluctuate based upon the amount of our pretax book income, permanent differences and other items, including fluctuations in valuation allowances, used in the calculation of our income tax benefit.

#### *Discontinued Operations*

*Sale of Biloxi* — On November 29, 2012, we completed the sale of our Biloxi, Mississippi casino operations. During the nine months ended January 27, 2013, we recorded a \$1.5 million valuation allowance reflecting a credit against the purchase price to satisfy our obligation to repair the property after Hurricane Isaac, as required by the purchase agreement.

#### *Revenues and Operating Expenses*

Revenues and operating expenses for the three and nine months ended January 27, 2013 and January 22, 2012 are as follows:

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(in thousands)	Three Months Ended		Variance	Percentage Variance
	January 27, 2013	January 22, 2012		
<b>Revenues:</b>				
Casino	\$ 248,404	\$ 236,649	\$ 11,755	5.0%
Rooms	6,830	6,916	(86)	-1.2%
Food, beverage, pari-mutuel and other	32,749	30,935	1,814	5.9%
Insurance recoveries	—	872	(872)	N/M
Gross revenues	287,983	275,372	12,611	4.6%
Less promotional allowances	(49,888)	(48,051)	(1,837)	3.8%
Net revenues	238,095	227,321	10,774	4.7%
<b>Operating expenses:</b>				
Casino	39,166	37,700	1,466	3.9%
Gaming taxes	63,289	59,603	3,686	6.2%
Rooms	1,405	1,417	(12)	-0.8%
Food, beverage, pari-mutuel and other	10,987	9,553	1,434	15.0%
Marine and facilities	13,979	13,745	234	1.7%
Marketing and administrative	61,012	57,294	3,718	6.5%
Corporate and development	7,506	7,824	(318)	-4.1%
Preopening expense	978	68	910	N/M
Depreciation and amortization	19,390	19,304	86	0.4%
Total operating expenses	\$ 217,712	\$ 206,508	11,204	5.4%
<b>Revenues:</b>				
Casino	\$ 733,321	\$ 711,583	\$ 21,738	3.1%
Rooms	23,788	23,807	(19)	-0.1%
Food, beverage, pari-mutuel and other	95,992	91,285	4,707	5.2%
Insurance recoveries	—	983	(983)	N/M
Gross revenues	853,101	827,658	25,443	3.1%
Less promotional allowances	(155,976)	(141,307)	(14,669)	10.4%
Net revenues	697,125	686,351	10,774	1.6%
<b>Operating expenses:</b>				
Casino	114,464	111,843	2,621	2.3%



Gaming taxes	183,536	178,555	4,981	2.8%
Rooms	4,959	5,265	(306)	-5.8%
Food, beverage, pari-mutuel and other	30,308	29,096	1,212	4.2%
Marine and facilities	41,567	42,804	(1,237)	-2.9%
Marketing and administrative	175,432	172,835	2,597	1.5%
Corporate and development	26,756	29,417	(2,661)	-9.0%
Preopening expense	4,319	131	4,188	N/M
Depreciation and amortization	53,062	58,126	(5,064)	-8.7%
Total operating expenses	<u>\$ 634,403</u>	<u>\$ 628,072</u>	6,331	1.0%

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*Casino* — Casino revenues increased \$11.8 million, or 5.0%, for the three months ended January 27, 2013, as compared to the same period in fiscal 2012. Excluding casino revenues of \$15.4 million at our Cape Girardeau casino, which opened early in the quarter, casino revenues decreased \$3.6 million. Casino revenues were impacted by construction disruption completed during the quarter at our Lake Charles and Vicksburg properties, which had decreases of \$2.8 million and \$0.4 million, respectively, as compared to the same period in fiscal 2012. Our Lula and Kansas City properties had decreased casino revenues of \$1.4 million and \$1.7 million, respectively, as a result of increased competition. Casino revenues increased \$1.7 million at our Pompano property and \$2.4 million at our Black Hawk properties.

Casino operating expenses increased \$1.5 million, or 3.9%, for the three months ended January 27, 2013, as compared to the same period in the prior fiscal year. Excluding casino operating expenses at our Cape Girardeau casino of \$2.6 million, casino operating expenses decreased \$1.1 million, commensurate with casino revenues.

Casino revenues increased \$21.7 million, or 3.1%, for the nine months ended January 27, 2013, as compared to the same period in fiscal 2012. Excluding casino revenues of \$15.4 million at our Cape Girardeau property, casino revenues increased \$6.3 million, or 0.9%. Casino revenues for our properties closed due to flooding in fiscal 2012 increased \$7.1 million, or 4.8%. Casino revenues increased at our Pompano and Waterloo properties of \$3.9 million and \$2.6 million, respectively, offset by decreases in casino revenue at our Lake Charles and Kansas City properties of \$4.7 million and \$3.8 million, respectively.

Casino operating expenses increased \$2.6 million, or 2.3%, for the nine months ended January 27, 2013, as compared to the same period in the prior fiscal year. Excluding casino operating expenses of \$2.6 million at our Cape Girardeau property, casino operating expenses were stable. Casino operating expenses for our properties closed due to flooding in fiscal 2012 increased \$1.0 million, or 4.1%, for the nine months ended January 27, 2013, as compared to the same period in fiscal 2012.

*Gaming Taxes* — State and local gaming taxes increased \$3.7 million, or 6.2%, and increased \$5.0 million or 2.8%, for the three and nine months ended January 27, 2013, respectively, as compared to the same period in the prior fiscal year consistent with the changes in casino revenues.

*Rooms* — Rooms revenue and expense remained stable for the three and nine months ended January 27, 2013, as compared to the same period in the prior fiscal year.

*Food, Beverage, Pari-Mutuel and Other* — Food, beverage, pari-mutuel and other revenues increased \$1.8 million, or 5.9%, for the three months ended January 27, 2013, as compared to the same period in the prior fiscal year. Excluding food and beverage and other revenues of \$2.2 million at our Cape Girardeau property, food, beverage, pari-mutuel and other revenues decreased \$0.4 million, or 1.2%.

Food, beverage, pari-mutuel and other expenses increased \$1.4 million, or 15.0%, for the three months ended January 27, 2013, as compared to the same period in the prior fiscal year, of which \$1.1 million related to our new Cape Girardeau casino.

Food, beverage, pari-mutuel and other revenues increased \$4.7 million, or 5.2%, for the nine months ended January 27, 2013, as compared to the same period in the prior fiscal year. Excluding food, beverage and other revenue of \$2.2 million at our Cape Girardeau property, food, beverage, pari-mutuel and other revenues increased \$2.5 million, or 2.7%. Food, beverage, pari-mutuel and other revenue for our properties closed due to flooding in fiscal 2012 increased \$0.7 million, or 4.4% for the nine months ended January 27, 2013, as compared to the same period in fiscal 2012.

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Food, beverage, pari-mutuel and other expenses increased \$1.2 million, or 4.2%, for the nine months ended January 27, 2013, as compared to the same period in the prior fiscal year. Excluding food, beverage and other expense of \$1.1 million at our Cape Girardeau property, food, beverage, pari-mutuel and other expenses increased \$0.1 million, or 0.3%. Food, beverage, pari-mutuel and other expense for our properties closed due to flooding in fiscal 2012 increased \$0.2 million, or 5.8% for the nine months ended January 27, 2013, as compared to the same period in fiscal 2012.

*Promotional Allowances* — Promotional allowances increased \$1.8 million, or 3.8%, for the three months ended January 27, 2013, as compared to the same period in the prior fiscal year. Excluding promotional allowances of \$1.4 million at our Cape Girardeau property, promotional allowances increased \$0.4 million, or 0.8%.

Promotional allowances increased \$14.7 million, or 10.4%, for the nine months ended January 27, 2013, as compared to the same period in the prior fiscal year. Excluding promotional allowances of \$1.4 million at our new Cape Girardeau casino, promotional allowances increased \$13.3 million, or 9.4%.

Promotional allowances for our properties closed due to flooding increased \$5.0 million, or 14.7%, for the nine months ended January 27, 2013, as compared to the same period in fiscal 2012. During the first quarter of fiscal 2013, we implemented our new customer loyalty program, Fan Club<sup>®</sup>, at five of our properties. As of January 27, 2013, Fan Club<sup>®</sup> has been implemented at nine of our properties, with roll-out to remaining properties expected in future periods. Fan Club<sup>®</sup> allows customers greater choice in how to use their points for cash, free play or food. Implementation of Fan Club<sup>®</sup> as well as changes to our promotions also resulted in increased promotional costs.

*Marine and Facilities* — Marine and facilities expenses increased \$0.2 million, or 1.7%, for the three months ended January 27, 2013 as compared to the same period in the prior fiscal year. Excluding Cape Girardeau, marine and facilities expenses decreased \$0.6 million, or 4.2%, primarily reflecting cost savings from operating one vessel in Lake Charles since February 2012.

Marine and facilities expenses decreased \$1.2 million, or 2.9%, for the nine months ended January 27, 2013 as compared to the same period in the prior fiscal year. Excluding Cape Girardeau and our properties closed due to flooding in fiscal 2012, marine and facilities expense decreased \$3.0 million, or 9.1% for the nine months ended January 27, 2013, as compared to the same period in fiscal 2012 primarily reflecting cost savings from operating one vessel in Lake Charles and decreased spending for repairs and maintenance.

*Marketing and Administrative* — Marketing and administrative expenses increased \$3.7 million, or 6.5%, for the three months ended January 27, 2013 as compared to the same period in the prior fiscal year. Excluding Cape Girardeau, marketing and administrative expenses decreased \$0.6 million, or 1.0%.

Marketing and administrative expenses increased \$2.6 million, or 1.5%, for the nine months ended January 27, 2013 as compared to the same period in the prior fiscal year. Excluding Cape Girardeau and our properties closed due to flooding in fiscal 2012, marketing and administrative expenses decreased \$4.2 million, or 3.3% for the nine months ended January 27, 2013, as compared to the same period in fiscal 2012 reflecting reductions at our Black Hawk, Lake Charles and Kansas City properties.

*Corporate and Development* — During the three months ended January 27, 2013, our corporate and development expenses were \$7.5 million compared to \$7.8 million for the three months ended January 22, 2012. The decrease is primarily the result of decreased stock-based compensation expenses. During the nine months ended January 27, 2013, our corporate and development expenses decreased \$2.7 million compared to the same period in the prior fiscal year, primarily due to decreased insurance costs of \$1.7 million and decreased stock-based compensation expense of \$2.1 million, offset by debt refinancing expenses in the current year of \$1.5 million.

*Depreciation and Amortization* — Depreciation and amortization expense for the three months ended January 27, 2013 increased \$0.1 million, as compared to the same period in the prior fiscal year, due to depreciation expense for the new Cape Girardeau casino of \$2.8 million, offset by certain assets becoming fully depreciated at our other properties. Depreciation and amortization expense for the nine months ended January 27, 2013 decreased \$5.1 million, as compared to the same period in the prior fiscal year, primarily due to certain assets becoming fully depreciated, offset by the Cape Girardeau depreciation.

*Other Income (Expense) and Income Taxes* — Interest expense, interest income, derivative income and income tax (provision) benefit for the three months ended January 27, 2013 and January 22, 2012 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	January 27, 2013	January 22, 2012		
Interest expense	\$ (22,009)	\$ (21,737)	\$ (272)	1.3%
Interest income	100	185	(85)	-45.9%
Derivative income	222	223	(1)	-0.4%
Income tax benefit	302	200	102	51.0%

  

(in thousands)	Nine Months Ended		Variance	Percentage Variance
	January 27, 2013	January 22, 2012		
Interest expense	\$ (64,425)	\$ (65,439)	\$ 1,014	-1.5%
Interest income	406	620	(214)	-34.5%
Derivative income	532	252	280	111.1%
Income tax benefit	166	2,383	(2,217)	-93.0%

*Interest Expense* — Interest expense increased \$0.3 million, or 1.3%, during the three months ended January 27, 2013, as compared to the same period in the prior fiscal year. Interest expense decreased \$1.0 million for the nine months ended January 27, 2013, as compared to the same period in the prior fiscal year. This decrease primarily reflects the capitalization of interest associated with the construction of our new Cape Girardeau casino.

## Liquidity and Capital Resources

*Cash Flows from Operating Activities* - During the nine months ended January 27, 2013, we generated \$79.5 million in cash flows from operating activities compared to generating \$70.5 million during the nine months ended January 22, 2012, largely as a result of collecting insurance receivables of \$7.5 million during fiscal 2013 related to flooding during fiscal 2012.

*Cash Flows used in Investing Activities* - During the nine months ended January 27, 2013, we used \$95.9 million for investing activities compared to using \$45.8 million during the nine months ended January 22, 2012. Significant investing activities for the nine months ended January 27, 2013 included capital expenditures of \$123.6 million, of which \$83.1 million related to Cape Girardeau and Nemaocolin with the balance at our existing properties. Cash generated from investing activities primarily consists of net proceeds from the sale of our casino in Biloxi, Mississippi of \$33.2 million.

Significant investing activities for the nine months ended January 22, 2012 included capital expenditures of \$46.0 million, of which \$17.0 million related to Cape Girardeau and Nemaocolin.

*Cash Flows used in Financing Activities* — During the nine months ended January 27, 2013, our net cash flows used in financing activities was \$10.2 million, including repayment of \$357.3 million of our 7% senior subordinated notes, repayments of \$4.1 million in other long-term debt, proceeds of \$350 million from the issuance of our 8.875% senior subordinated notes, \$10.0 million in net borrowings under the revolving line of credit and payments for deferred financing costs of \$8.8 million. During the nine months ended January 22, 2012, our net cash flows used in financing activities were used primarily to repay our outstanding long-term debt of \$27.1 million.

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*Availability of Cash and Additional Capital* - At January 27, 2013, we had cash and cash equivalents of \$67.8 million and marketable securities of \$25.1 million. As of January 27, 2013, we had \$10.0 million in outstanding borrowings under our revolving credit. Our line of credit availability at January 27, 2013 was approximately \$243 million as limited by our senior secured leverage ratio.

On August 7, 2012, we completed the issuance and sale of \$350 million of 8.875% Senior Subordinated Notes due 2020 in a private offering. We received net proceeds of \$343 million for this issuance after deducting underwriting fees. We repurchased and retired our \$357.3 million 7% Senior Subordinated Notes due 2014 with proceeds from the issuance of the New Subordinated Notes and cash on hand.

Following completion of the issuance of our New Subordinated Notes and the retirement of the 7% Subordinated Notes due 2014, the maturities of our Credit Facility are extended to March 25, 2016 and March 25, 2017 for the revolving line of credit and term loans, respectively, based on the terms of the Credit Facility.

In November 2012, we amended certain provisions of the Credit Facility to: 1) give us more flexibility to incur additional indebtedness, in certain circumstances, 2) increase our flexibility to incur asset sales, 3) modify our maximum allowed leverage covenant and 4) allow for the annualization of EBITDA during the first year of operations on new build projects.

*Capital Expenditures and Development Activities*—As part of our business development activities, historically we have entered into agreements which have resulted in the acquisition or development of businesses or assets. These business development efforts and related agreements typically require the expenditure of cash, which may be significant. The amount and timing of our cash expenditures relating to development activities may vary based upon our evaluation of current and future development opportunities, our financial condition and the condition of the financing markets. Our development activities are subject to a variety of factors including but not limited to: obtaining permits, licenses and approvals from appropriate regulatory and other agencies, legislative changes and, in certain circumstances, negotiating acceptable leases.

For instance, we opened our new casino in Cape Girardeau, Missouri on October 30, 2012. We have incurred cash-based capital expenditures and capitalized interest of \$128.0 million through January 27, 2013, including \$79.2 million during the current fiscal year.

On August 20, 2012, the Pennsylvania Supreme Court affirmed the decision of the Pennsylvania Gaming Control Board to award a Category 3 resort gaming license to the Nemaocolin Woodlands Resort in Farmington, Pennsylvania. We have a development and management agreement with Nemaocolin to build and operate a casino. We currently estimate the cost of the project to be approximately \$57 million to \$60 million, including licensing fees, and expect to open Lady Luck Nemaocolin during the summer of 2013. To date, we have expended \$10.0 million.

On February 1, 2013, we signed an agreement with Tower Investments, Inc. to manage The Provence, the resort and casino on North Broad Street, Philadelphia (the "Project"), proposed by Tower Entertainment, LLC (the "Tower JV"), if the Project is selected by the PGCB. The Tower JV is one of six applicants for the final gaming license in Philadelphia. As part of our agreement with the Tower JV, we loaned \$25 million to the Tower JV in the form of a stand-by letter of credit issued for the purpose of securing the Pennsylvania gaming license fee relating to the Project. The \$25 million letter of credit can only be drawn upon if the Tower JV is awarded the license. If the Tower JV is selected, we have the option to convert the \$25 million loan into a minority investment in the Tower JV.

Historically, we have made significant investments in property and equipment and expect that our operations will continue to demand ongoing investments to keep our properties competitive. During the nine months ended January 27, 2013, we have incurred capital expenditures at our existing properties of \$40.5 million. For the balance of the current fiscal year, we estimate additional capital expenditures at our existing properties to be approximately \$45 million to \$50 million, including maintenance capital, final costs in Cape Girardeau and construction costs in Nemaocolin of approximately \$25 million to \$30 million. During fiscal 2013 we have completed several capital projects primarily focused on refreshing our hotel room inventory as well as additional

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improvements to our Black Hawk and Lake Charles properties, and rebranding our Vicksburg property to a Lady Luck. Additionally we expect to make several other improvements to our properties including additional Farmers Pick buffets and other food and beverage outlets as well as ongoing maintenance

capital. The timing, completion and amount of additional capital projects will be subject to improvement of economic and local market conditions, cash flows from our continuing operations and borrowing availability under our Credit Facility.

Typically, we have funded our daily operations through net cash provided by operating activities and our significant capital expenditures through operating cash flow and debt financing. While we believe that cash on hand, cash flow from operations, and available borrowings under our Credit Facility will be sufficient to support our working capital needs, planned capital expenditures and debt service requirements for the foreseeable future, there is no assurance that these sources will in fact provide adequate funding for our planned and necessary expenditures or that the level of our capital investments will be sufficient to allow us to remain competitive in our existing markets.

We are highly leveraged and may be unable to obtain additional debt or equity financing on acceptable terms if our current sources of liquidity are not sufficient or if we fail to stay in compliance with the covenants of our senior secured credit facility. We will continue to evaluate our planned capital expenditures at each of our existing locations in light of the operating performance of the facilities at such locations.

### **Critical Accounting Estimates**

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles that require our management to make estimates and assumptions that affect reported amounts and related disclosures. Management identifies critical accounting estimates as:

- those that require the use of assumptions about matters that are inherently and highly uncertain at the time the estimates are made;
- those estimates where, had we chosen different estimates or assumptions, the resulting differences would have had a material impact on our financial condition, changes in financial condition or results of operations; and
- those estimates that, if they were to change from period to period, likely would result in a material impact on our financial condition, changes in financial condition or results of operations.

*Goodwill and Other Intangible Assets*—At April 29, 2012, we had goodwill and other intangible assets of \$387.5 million, representing 24.6% of total assets. In accordance with ASC Topic 350, Intangibles — Goodwill and Other, if necessary, we perform an annual impairment test for goodwill and indefinite-lived intangible assets in the fourth fiscal quarter of each year, or on an interim basis if indicators of impairment exist. For properties with goodwill and/or other intangible assets with indefinite lives, this test requires the comparison of the implied fair value of each reporting unit to carrying value.

We must make various assumptions and estimates in performing our impairment testing. The implied fair value includes estimates of future cash flows that are based on reasonable and supportable assumptions which represent our best estimates of the cash flows expected to result from the use of the assets including their eventual disposition and by a market approach based upon valuation multiples for similar companies. Changes in estimates, increases in our cost of capital, reductions in transaction multiples, operating and capital expenditure assumptions or application of alternative assumptions and definitions could produce significantly different results. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from our estimates. If our ongoing estimates of future cash flows are not met, we may have to record additional impairment charges in future accounting periods. Our estimates of cash flows are based on the current regulatory, social and economic climates, recent operating information and budgets of the various properties where we conduct operations. These estimates could be negatively impacted by changes in federal, state or local

regulations, economic downturns, or other events affecting various forms of travel and access to our properties. We engage an independent third party valuation firm to assist management in our annual impairment testing.

Based upon our fiscal 2012 annual impairment testing, we noted reporting units with goodwill and/or other long-lived intangibles had fair values which exceeded their carrying values by at least 10%, except for our Lula and Black Hawk reporting units. In conjunction with this impairment testing, we recorded an impairment charge related to goodwill at our Lula property of \$14.4 million, resulting in a remaining goodwill balance of \$80.6 million. Black Hawk's goodwill and indefinite-lived assets as of April 29, 2012 were \$37.7 million, which fair value exceeded its carrying value by 9%.

During our quarter ended January 27, 2013, a new casino opened in direct competition to our Natchez casino property. As of January 27, 2013, our Natchez reporting unit currently has \$24.6 million in goodwill. There is insufficient information to assess the impact of this opening at this time; however, we plan to monitor this development and should the future operating results of our Natchez property not meet current estimates, we could record an impairment charge reducing Natchez goodwill.

For a discussion of our significant accounting policies and estimates, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements presented in our 2012 Annual Report on Form 10-K. There were no newly identified significant accounting estimates in the third quarter of fiscal year 2013, nor were there any material changes to the critical accounting policies and estimates set forth in our 2012 Annual Report.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of loss arising from adverse changes in market rates and prices, including interest rates, commodity prices and equity prices. Our primary exposure to market risk is interest rate risk associated with our Isle of Capri Casinos, Inc. senior secured credit facility ("Credit Facility").

We have an interest rate swap agreement with a notional value of \$50.0 million as of January 27, 2013. The swap agreement effectively converts portions of

the Credit Facility variable debt to a fixed-rate basis until the swap agreement terminates, which occurs in September 2013.

During the nine months ended January 27, 2013, we issued \$350.0 million of 8.875% Subordinated Notes and tendered our \$357.3 million 7% Subordinated Notes. These transactions increased our fixed interest rate on \$350 million of our outstanding debt by 1.875%.

The maturities of our revolving line of credit and our variable rate term loans under our Credit Facility have been extended to March 25, 2016 and March 25, 2017, respectively. Minimum annual principal payments under our variable rate term loans are \$5 million.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of January 27, 2013. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of January 27, 2013, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports we file or submit under the Exchange Act of 1934 and such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

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##### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There have been no changes in our internal controls over financial reporting during the fiscal quarter ended January 27, 2013, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

#### **PART II—OTHER INFORMATION**

##### **ITEM 1. LEGAL PROCEEDINGS**

A reference is made to the information contained in Footnote 14 of our unaudited condensed consolidated financial statements included herein, which is incorporated herein by reference.

##### **ITEM 1A. RISK FACTORS**

We are not aware of any material changes to the disclosure regarding risk factors presented in our Annual Report on Form 10-K for the fiscal year ended April 29, 2012.

##### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

We have purchased our common stock under stock repurchase programs. These programs allow for the repurchase of up to 6,000,000 shares. To date, we have purchased 4,895,792 shares of our common stock under these programs. These programs have no approved dollar amount, nor expiration dates. No purchases were made during the nine months ended January 27, 2013.

##### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

##### **ITEM 4. MINE SAFETY DISCLOSURE**

Not Applicable.

##### **ITEM 5. OTHER INFORMATION**

None.

##### **ITEM 6. EXHIBITS**

See the Index to Exhibits following the signature page hereto for a list of the exhibits filed pursuant to Item 601 of Regulation S-K.

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#### **SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned

thereunto duly authorized.

**ISLE OF CAPRI CASINOS, INC.**

Dated: February 20, 2013

/s/ DALE R. BLACK

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Dale R. Black  
Chief Financial Officer  
(Principal Financial Officer and Authorized Officer)

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<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.1	Employment Agreement, dated as of January 7, 2013, between Isle of Capri Casinos, Inc. and John Wilson
10.2	Third Amendment to Credit Agreement, dated as of November 21, 2012, among Isle of Capri Casinos, Inc., as borrower, certain subsidiaries of Isle of Capri Casinos, Inc., the financial institutions listed therein, as lenders, Wells Fargo Bank, National Association, as administrative agent (as successor to Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch)), and the other agents referred to therein (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 27, 2012)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a—14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a—14(a) under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101	The following financial statements and notes from the Isle of Capri Casinos, Inc. Quarterly Report on Form 10-Q as of and for the three and nine months ended January 27, 2013, filed on February 20, 2013, formatted in XBRL: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statement of Comprehensive Income; (iv) Consolidated Statements of Stockholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text.

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**EMPLOYMENT AGREEMENT**

**THIS EMPLOYMENT AGREEMENT** ("Agreement"), which expressly includes and references non-competition, non-solicitation and confidentiality provisions, is made and entered into on the 7th day of January 2013 (the "Agreement Date") and effective as of the Effective Date (as defined below), by and between Isle of Capri Casinos, Inc., a Delaware corporation ("Isle", together with its subsidiary and affiliated companies, the "Company"), and John Wilson ("Employee").

WHEREAS, Isle desires to employ Employee in the position of its Chief Development Officer and Employee desires to perform services for, and to be employed by, Isle in such capacity, all on the terms and conditions set forth herein;

WHEREAS, as a condition of Employee's employment, the Company desires to retain certain covenants from Employee including, but not limited to, the following: (a) to refrain from carrying on or engaging in a business similar to that of the Company; (b) to refrain from soliciting Employees of the Company for employment elsewhere; and (c) to protect and maintain the confidentiality of the Company's trade secrets and any proprietary information, which the parties expressly acknowledge are a condition of Employee's employment; and

WHEREAS, Isle and Employee desire to set forth in writing the terms and conditions of their agreements and understandings with respect to Employee's employment at Isle, as well as the covenants referenced above, and the parties expressly acknowledge that these covenants are a condition of Employee's employment.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions set forth in this Agreement, Isle and Employee agree as follows:

1. Term of Employment; Duties; Compensation.

(a) Term. Isle hereby agrees to employ Employee, and Employee accepts such employment and agrees to continue to perform services for the Company for an initial period beginning on January 7, 2013 (the "Effective Date") and expiring on the first anniversary thereof (the "Initial Term") and for successive one (1)-year periods thereafter (the "Renewal Term(s)"), unless either: (i) the Company provides ninety (90) days' written notice of non-renewal to Employee prior to the expiration of the Initial Term or applicable Renewal Term, or (ii) the Agreement is terminated at an earlier date in accordance with Section 2 or Section 3 of this Agreement (the Initial Term and the Renewal Terms together referred to as the "Term of Employment").

(b) Service with Company. During the Term of Employment, Employee shall serve as the Company's Chief Development Officer reporting to the Company's President and Chief Executive Officer, or such other officer designated by the President and Chief Executive Officer. During the Term of Employment, Employee agrees to perform reasonable employment duties as the President and Chief Executive Officer (or designee) shall assign to Employee from

time to time, with such duties and responsibilities as are customarily the duties and responsibilities of the chief development officer of companies such as Isle.

(c) Performance of Duties. During the Term of Employment, Employee agrees to serve the Company faithfully and to the best of Employee's ability and to devote substantially all of Employee's business time, attention, skill and efforts to the business and affairs of the Company. The foregoing shall not preclude Employee from engaging in other civic endeavors and, with the approval of the Board, serving on charitable boards and other boards of directors so long as, in any case, the same do not interfere with the performance of Employee's duties under this Agreement.

(d) Compensation. Effective as of the Effective Date, Employee shall receive an initial award of 20,000 shares of Company restricted stock under the Isle of Capri Casinos, Inc. 2009 Long-Term Stock Incentive Plan, as the same may be amended, restated or otherwise replaced from time to time (the "Equity Plan"), such award to vest ratably over three years commencing with the first anniversary of the Effective Date and to have such other terms as set forth in a Restricted Stock Award Agreement to be entered into by the Company and Employee. From and after the Effective Date and during the remaining Term of Employment, Isle shall pay to Employee as compensation for services to be rendered hereunder an aggregate base salary which is not less than \$375,000 per year (the "Annual Base Salary") payable in substantially equal monthly, or more frequent, payments, subject to increases, if any, as may be determined by the Compensation Committee of the Board (the "Compensation Committee"). For each fiscal year, Employee shall be eligible to receive an annual cash bonus (the "Annual Bonus") based upon the achievement of reasonable, objective performance targets that have been established by the Compensation Committee in a manner consistent with past practice, provided that Employee's Annual Bonus for each fiscal year at the target level shall be equal to at least 60% of Employee's Annual Base Salary if Employee meets the target levels set by the Compensation Committee. Employee shall be involved as a senior management executive in the establishment of reasonable, objective performance targets. Employee shall also be entitled to participate in the Equity Plan to the extent that similarly-situated executives of Isle participate therein. In addition to the Annual Base Salary, Annual Bonus and participation in the Equity Plan as set forth above, Employee shall be entitled to participate in any employee benefit plans or programs of the Company as are or may be made generally available to similarly-situated employees of Isle and those made available to similarly-situated officers of Isle. Employee shall be entitled to vacation in accordance with Isle's policies for similarly-situated employees.

(e) No Violation. Employee represents and warrants to the Company that the execution and delivery of this Agreement by Employee, and the carrying out of Employee's duties on behalf of the Company as contemplated hereby, do not violate or conflict with the terms of any other agreements to which Employee is or was a party.

(f) Expense Reimbursement. The Company will pay or reimburse Employee for all reasonable and necessary out-of-pocket expenses

incurred by Employee in the performance of Employee's duties under this Agreement, subject to the presentment of appropriate vouchers in accordance with the Company's policies for expense verification. To the extent that any such reimbursements are taxable to Employee, such reimbursements shall be paid to Employee only if (i) the expenses are incurred and reimbursable pursuant to a reimbursement

plan that provides an objectively determinable nondiscretionary definition of the expenses that are eligible for reimbursement and (ii) the expenses are incurred during the Term of Employment and are submitted for reimbursement no later than ninety (90) days after the end of the calendar year in which the expense giving rise to the claim for reimbursement is incurred. With respect to any expenses that are reimbursable pursuant to the preceding sentence, the amount of the expenses that are eligible for reimbursement during one calendar year may not affect the amount of reimbursements to be provided in any subsequent calendar year, the reimbursement of an eligible expense shall be made promptly upon the Company's receipt of such information and supporting documentation as it may reasonably request but no later than the last day of the calendar year following the calendar year in which the expense was incurred, and the right to reimbursement of the expenses shall not be subject to liquidation or exchange for any other benefit.

2. Termination.

(a) The Term of Employment shall terminate prior to its expiration, and Employee's employment shall terminate, in the event that at any time during the Term of Employment:

- (i) Isle terminates the Term of Employment and Employee's employment for "Cause" by a written notice of termination delivered to Employee. For purposes of this Agreement, "Cause" shall mean any (A) dishonesty, disloyalty or breach of corporate policies, in each case that is material to the ability of Employee to continue to function as an effective executive given the strict regulatory standards of the industry in which the Company does business; (B) gross misconduct on the part of Employee in the performance of Employee's duties hereunder (as determined by the Board); (C) Employee's violation of Section 4 of this Agreement; or (D) Employee's failure to be licensed as a "key person" or similar role under the laws of any jurisdiction where the Company does business, or the loss of any such license for any reason. If Employee's employment is terminated for Cause (after the Board has given Employee ten (10) days' advance written notice in the case of an event or circumstances giving rise to Isle's ability to terminate Employee's employment for Cause that are capable of being cured during such ten (10) day cure period and if such event or circumstance is not cured to the satisfaction of the Board within such ten (10) day period), there shall be no severance paid to Employee and Employee's benefits shall terminate as of Employee's termination date, except as may be required by law.
- (ii) Isle terminates the Term of Employment and Employee's employment for any reason without Cause (other than as a result of Employee's death or Disability (as defined in Section 2(a)(iv)) (including through non-renewal of the Agreement). In this case, if Employee signs a Mutual and General Release in reasonable and typical form that is acceptable to Isle (a "Release") that releases the Company from any and all claims that Employee may have and affirmatively agrees not to violate any of the

provisions of Section 4 hereof (which shall not be expanded beyond what is set forth in Section 4 as of the Effective Date), Employee shall be entitled to receive the severance payments and continued benefits described in this Section 2(a)(ii); provided, however, that Employee shall only be entitled to such severance payments or benefits if the Release has been executed, is effective and the applicable revocation period has expired (collectively, the "Release Requirements") no later than the date as of which such severance payments or benefits are otherwise to be paid or provided and if the Release Requirements are not satisfied as of such date, Employee shall not be entitled to such severance payments or benefits.

Subject to the foregoing, if Isle terminates the Term of Employment and Employee's employment without Cause, then Employee shall be entitled to (A) continue to receive Employee's Annual Base Salary (and shall receive Employee's earned but unpaid Annual Bonus) payable in twelve (12) substantially equal monthly installments, the first six of which shall be payable in a lump sum on the first day following the six (6)-month anniversary of Employee's termination date; and (B) to the extent legally permissible, Medical Continuation Benefits (as defined below). Notwithstanding the foregoing, the Board may authorize that portion of the Annual Base Salary and Employee's earned but unpaid Annual Bonus payable in accordance with the provisions of Section 2(a)(ii)(A) that is not subject to section 409A of the Internal Revenue Code of 1986, as amended (the "Code") (the "409A Exempt Payment") to be paid in a single lump sum to Employee on any date following Employee's termination date and prior to the six (6)-month anniversary of Employee's termination date (provided that in no event shall Employee be permitted to elect the year of payment); and the remaining Annual Base Salary and Annual Bonus (that is, the Annual Base Salary and Annual Bonus minus the 409A Exempt Payment) paid to Employee in six (6) substantially equal installments beginning on the six (6) month anniversary of Employee's termination date and ending on the one (1) year anniversary of Employee's termination date.

For purposes of this Agreement, "Medical Continuation Benefits" means continuation coverage under the Company's major medical, dental and vision plans (collectively, the "Medical Plan") for Employee and Employee's spouse and dependents consistent with the level of coverage otherwise in effect as of Employee's termination date for the period beginning on Employee's termination date and ending on the earlier of (I) twelve (12) months after Employee's termination date or (II) the date on which Employee, Employee's spouse or Employee's dependents obtains comparable alternative group coverage during the twelve (12)



months after Employee's termination (such period being referred to as the "Continuation Period"), at Employee's sole expense, and for each year (or portion thereof) during the Continuation Period, the Company shall pay to

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Employee an amount such that, after the payment of all income and employment taxes due with respect to such amount, there remains an amount equal to the Company's premium contribution paid with respect to its similarly-situated active employees for the level of coverage provided to Employee and Employee's spouse and Employee's dependents under the Medical Plan during the portion of the Continuation Period within such year. Any payments to be made to Employee pursuant to the preceding sentence shall be made no later than March 15 of the year following the year to which they relate. The Medical Continuation Benefit shall not be deemed to offset or otherwise limit the period of continuation coverage otherwise available to Employee and Employee's spouse or Employee's dependents under section 4980B of the Code which shall be deemed to commence following the end of the Continuation Period and shall be provided at Employee's sole expense.

In the event of termination without Cause pursuant to this Section 2(a)(ii), all of Employee's outstanding unvested equity-based awards that would have vested and, if applicable, become exercisable had Employee remained employed under this Agreement for one (1) year following Employee's termination date, shall vest and, if applicable, become exercisable as of Employee's termination date.

As used in this Agreement, the term "earned but unpaid Annual Bonus" shall refer to the non-discretionary portion of the Annual Bonus to which Employee would have been entitled had Employee remained employed in Employee's position for the remainder of the fiscal year of termination, prorated for the number of days during such year that Employee was employed by the Company.

- (iii) Employee for any reason voluntarily terminates the Term of Employment and Employee's employment. In that case, there shall be no severance paid to Employee and Employee's benefits shall terminate as of Employee's termination date, except as may be required by law. Notwithstanding the foregoing, if Employee voluntarily terminates the Term of Employment and Employee's employment due to Retirement (as defined below) all of Employee's outstanding equity-based awards shall become fully vested and, if applicable, exercisable as of Employee's termination date. The term "Retirement" shall mean the termination by Employee of Employee's employment after attaining age sixty-five (65) and completing at least three (3) years of service or such later date approved by the Board.
- (iv) Employee dies or Isle terminates the Term of Employment and Employee's employment as a result of Employee's Disability. In the event Employee's employment is terminated due to Employee's death or Disability, Employee, or, in the event of death, Employee's estate shall receive (A) payment of Employee's earned but unpaid Annual Bonus and

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continuing payment of Employee's Annual Base Salary payable in twelve (12) substantially equal monthly installments beginning on the first day following the six (6) month anniversary of Employee's termination date; (B) to the extent legally permissible, continuation coverage under the Medical Plan for the Continuation Period; and (C) a lump sum payment to be paid on the first payroll date following Employee's termination date equal to the average of the last three (3) years' Annual Bonus payments, if any, inclusive of deferred amounts.

For purposes of this Agreement, Employee shall be deemed to have a "Disability" if, by reason of a medically -determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of at least twelve (12) months, (I) she is unable to engage in any substantial gainful employment, or (II) has been receiving benefits under the Company's separate long-term disability plan for a period of at least three (3) months. The Company shall certify whether Employee have a Disability as defined herein.

- (b) Except as provided hereunder, the vesting of equity-based awards shall be governed by the provisions of the Equity Plan.

3. Change In Control of Isle. If (i) there is a sale, acquisition, merger, or buyout of Isle to an unaffiliated person, or any person that is not an "affiliate" (as such term is defined under the Securities Exchange Act of 1934) of Isle or any of its shareholders on the Effective Date becomes the legal and beneficial owner of more than 50% of Isle's common stock (a "Change in Control"), and (ii) Employee has a Qualifying Termination (as defined below), then in lieu of the severance payments and benefits, if any, otherwise payable to Employee under Section 2 of the Agreement, Employee will be entitled to the following severance payments and benefits:

- (a) (i) Two (2) times Employee's Annual Base Salary payable in twenty-four (24) substantially equal monthly installments, the first six (6) of which shall be made on the first day following the six (6)-month anniversary of Employee's termination date with the eighteen (18) remaining installments being made monthly thereafter; and (ii) an amount equal to the amount of Employee's earned but unpaid Annual Bonus plus the average of the previous three (3) years' Annual Bonus payment, if any, inclusive of deferred amounts, if any, payable in a lump sum, which lump sum shall be paid to Employee on the first day following the six (6)-month anniversary of Employee's termination date. Notwithstanding the foregoing, the Board may authorize that portion of the foregoing payments under this Section 3(a) that qualify as a 409A Exempt Payment (as defined in Section 2(a)(ii)) to be paid in a single lump sum to Employee on any date following Employee's termination date and prior to the six (6)-month anniversary of Employee's termination date (provided

that in no event shall Employee be permitted to elect the year of payment) and the remaining amounts to be paid in accordance with this Section 3(a).

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(b) The Medical Continuation Benefits; provided, however, that for purposes of this Section 3(b), the "Continuation Period" shall be based on twenty-four (24) months rather than twelve (12) months.

(c) Upon the occurrence of a change in control (as defined in the Equity Plan), all of Employee's outstanding equity-based awards shall governed by the provisions of the Equity Plan.

For purposes of this Agreement, a "Qualifying Termination" means a termination of Employee's employment with the Company by the Company without Cause or a termination by Employee for Good Reason (as defined below), in either case within thirty (30) days prior to the occurrence of a Change in Control or upon or within twelve (12) months after a Change in Control. For purposes of this Agreement, Employee's termination shall be considered to be for "Good Reason" if Employee terminates Employee's employment with the Company within the time period described above following (I) a significant reduction in Employee's authority, responsibilities, position or compensation or (II) a material relocation of the principal place at which Employee performs services hereunder, but in no event less than thirty-five (35) miles from the principal place at which Employee performs such services immediately prior to the Change in Control, in either case which the Company has failed to remedy within thirty (30) days after receipt of Employee's written notice thereof.

As a condition to receiving the payments described in Sections 3(a) and (b) above, the Release Requirements must be satisfied no later than the date as of which such severance payments or benefits are otherwise to be made or provided and if the Release Requirements are not satisfied as of such date, Employee shall not be entitled to such severance payments or benefits.

Notwithstanding the foregoing provisions of this Section 3, if (1) during the period beginning on the first anniversary of Employee's termination date and ending on the second anniversary thereof (the "Second Year Period"), Employee is or becomes employed by a new employer, and (2) such new employment would be prohibited by the provisions of Section 4(c) if the post-termination restrictions of Section 4(c) applied during the Second Year Period (which they do not), then, Employee shall forfeit all future payments and benefits under this Section 3 and all future payments and benefits shall thereupon cease. Nothing in this paragraph is intended to relieve Employee of the restrictions of Section 4(c) for the first year following Employee's termination date or to result in a forfeiture of payments and benefits during the Second Year Period if Employee is or becomes employed by a new Employer if such new employment would not be prohibited by the provisions of Section 4(c) if the post-termination restrictions of Section 4(c) applied during the Second Year Period.

#### 4. Confidentiality, Non-Competition and Non-Solicitation.

(a) The Company's Business. It is expressly agreed by the parties that, as of the Effective Date, the Company is engaged in the business of owning, managing and operating gaming and casino facilities in the states of Missouri, Mississippi, Iowa, Louisiana, Colorado, Florida, Nevada and Pennsylvania, and is in the business of seeking new gaming properties in additional jurisdictions and is engaged in all aspects of such gaming and casino operations. Employee desires to continue to be employed by the Company from and after the Effective Date

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and acknowledges and agrees that the Company would be adversely affected if Employee competes with the Company during, and subsequent to, Employee's employment with the Company.

(b) Trade Secrets and Confidential Information. The Company and Employee acknowledge the existence of trade secrets and other confidential information as defined below (collectively referred to as "Confidential Information"), all of which are owned by the Company, regardless of whether such Confidential Information was conceived, originated, devised or supplemented by Employee, the Company, or any other person or entity. Employee acknowledges that she has had and will continue to have access to Confidential Information during Employee's employment with the Company.

Except as required by law, during the term of this Agreement and thereafter, Employee shall not, without the prior written consent of the Company, directly or indirectly disclose or disseminate to any other person, firm or organization, any Confidential Information other than on behalf of the Company. The foregoing obligation shall not apply to any Confidential Information that shall have become known to competitors of the Company or to the public other than through an act or omission by Employee or that shall have been disclosed to Employee by a person or entity unaffiliated with the Company who has legitimate possession thereof in its entirety and possesses the unrestricted right to make such disclosure. Employee agrees to indemnify, defend and hold harmless the Company from and against any damages (including attorneys' fees, court costs, investigative costs and amounts paid in settlement) suffered by the Company or any of its affiliates arising out of the unauthorized disclosure or use of Confidential Information by Employee.

"Confidential Information" shall mean any data or information and documentation, whether in tangible form, electronic form or verbally disclosed, that is of material value to the Company and not known to the public or the Company's competitors, and which the Company has kept confidential. To the fullest extent consistent with the foregoing and as otherwise lawful, Confidential Information shall include, without limitation, the Company's trade secrets, computer programs, sales techniques and reports, formulas, data processes, methods, articles of manufacture, machines, apparatus, designs, compositions of matter, products, improvements, inventions, discoveries, developmental or experimental work, corporate strategy, marketing techniques, pricing lists and data and other pricing information, business plans, ideas and opportunities, accounting and financial information including financial statements and projections, personnel records, specialized customer information, proprietary agreements with vendors, special products and services the Company may offer or provide to its customers/guests from time to time, pending acquisitions, negotiations and transactions, or the terms of existing proposed business arrangements. Confidential Information shall also include all customer lists, accounts and specifications, and contacts of the Company, and shall further

include work in progress, plans or any other matter belonging to or relating to the technical or business activities of the Company.

Employee, at the time of the effective date of the termination of the employment relationship with the Company, shall turn over to the Company all "Confidential Information" and any and all copies thereof in Employee's possession regardless of who provided Employee with such information. Should Employee be legally served with a lawfully issued subpoena

expressly directing Employee to turn over the Company's Confidential Information, Employee shall immediately, and certainly no later than five (5) days after notice, advise the Company in writing of the subpoena and also provide a copy of the subpoena to the Company, at its lawful address as stated in this Agreement, thereby providing the Company with adequate time to lawfully object to the disclosure of its Confidential Information. Employee's failure to immediately advise the Company of the subpoena shall subject Employee to any and all remedies afforded to the Company, including, but not limited to, damages resulting to the Company for breach of contract.

Employee agrees that all such Confidential Information is, and shall remain, the sole and exclusive property of the Company and Employee further agrees that during and after the Term of Employment, Employee will not publish, disclose, communicate or otherwise disseminate to any entity and/or person any Confidential Information. Employee acknowledges and agrees that such Confidential Information is of critical importance to the Company and its business, and any unauthorized dissemination of such information would cause great harm to the Company, thereby entitling the Company to any and all rights and remedies as provided by law, and as specifically provided in Section 5 of this Agreement.

Employee hereby assigns and agrees to assign to the Company any invention, improvement, or discovery made by Employee, alone or jointly with others, during the Term of Employment, including any period of authorized leave of absence, or as a result of Employee's employment, and which in any way relates to, or may be useful in, the business of the Company, together with each patent that may be obtained thereon in any country. Employee will promptly and fully disclose to the Company any such invention, improvement or discovery and, without further consideration, will upon request by the Company execute all proper papers for use in applying for, obtaining and maintaining any United States or foreign patent and all proper assignments thereof, at the Company's expense and through its Patent Counsel. Each such invention, improvement or discovery, whether or not patented, shall be the exclusive property of the Company.

(c) Restrictions on Competition. In exchange for consideration of employment, and in consideration for Employee receiving and being given access to confidential business information, including, but not limited to trade secrets, customer and supplier contacts and relationships, goodwill, loyalty and other information, and as a condition of employment of Employee by the Company, during the term of Employee's employment with the Company, and for a period of one (1) year after the voluntary or involuntary termination of Employee's employment with the Company for any reason whatsoever, Employee will refrain from carrying on or engaging in the casino or gaming business (as defined in Section 4(a)), or, without the written consent of the Company (which shall not be unreasonably withheld), the hotel or restaurant business, or any other business in which the Company may be engaged on Employee's termination date, in any case either directly or indirectly, either individually or jointly or on behalf of or in concert with any other person, as a proprietor, partner, shareholder, investor (other than in less than 5% of any class of securities of any publicly traded company), lender, financial backer, director, officer, employee, agent, advisor, consultant or manager, or in any other capacity or manner whatsoever. The provisions of this Section 4(c) apply to any gaming operation or gaming facility within a 75-mile radius of (A) any gaming operation or gaming

facility owned (in whole or in part) by the Company or with respect to which the Company renders or proposes to render consulting or management services, in each case on the Effective Date or, for periods after Employee's termination date, on such termination date, or (B) any of the foregoing as to which the Company has taken any substantive step toward owning (in whole or in part) or managing such facility in the future, in each case on the Effective Date or, for periods after Employee's termination date, on such termination date.

(d) Non-Solicitation of Employees. In exchange for and in consideration of continuing employment, and in consideration for Employee receiving and being given access to confidential business information, including, but not limited to trade secrets, customer and supplier contacts and relationships, goodwill, loyalty and other information, and as a condition of continuing employment of Employee by the Company, during the term of Employee's employment with the Company and for one (1) year after Employee's termination date for any reason, Employee shall not, without the prior written consent of the Company, either directly or indirectly, either individually or jointly or on behalf of or in concert with any other person, as a proprietor, partner, shareholder, investor (other than in less than 5% of any class of securities of any publicly traded company), lender, financial backer, director, officer, employee, agent, advisor, consultant or manager, or in any other capacity or manner whatsoever, solicit for hire, enter into any contract or other arrangement with, or interfere with, disrupt or attempt to interfere with or disrupt the Company's relationships with, any person, who is employed by the Company; provided that for periods after Employee's termination date the foregoing shall apply only to a person who, as of Employee's termination date is employed by the Company.

(e) Reasonable Terms. Employee agrees that the geographic areas, duration and scope of activities outlined in this Agreement are reasonable under the circumstances. Employee further agrees that such terms are no broader than necessary to protect the Company's business and maintain the confidentiality of the Confidential Information. Employee further agrees that the terms of this Agreement are not oppressive and will not impose an unreasonable burden or restraint on Employee.

5. Miscellaneous.

(a) Successors and Assigns. This Agreement is binding on and inures to the benefit of the Company's successors and assigns. Isle may assign this Agreement in connection with a merger, consolidation, assignment, sale or other disposition of substantially all of its assets or business (subject to the provisions of Section 4). This Agreement may not be assigned by Employee.

(b) Modification, Waivers. This Agreement may be modified or amended only by a writing signed by an authorized representative of Isle and Employee. Either Party's failure, or delay in exercising any right, or partial exercise of any right, will not waive any provision of this Agreement or preclude the other party from otherwise or further exercising any rights or remedies hereunder, or any other rights or remedies granted by any law or any related document.

(c) Governing Law, Arbitration. The laws of Missouri will govern the validity, construction, and performance of this Agreement without regard to the location of

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execution or performance of this Agreement. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by binding arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Both Isle and Employee hereby consent to this binding arbitration provision.

(d) Remedies. Employee expressly acknowledges and the parties recognize that the restrictions contained herein are reasonable and necessary to protect the business and interests of the Company, and that any violation of these restrictions will cause substantial irreparable injury and damage to the Company, and the extent of such damage would be difficult if not impossible to calculate. Accordingly, the parties to this Agreement expressly agree that (i) if Employee breaches any provision of this Agreement, the damage to the Company may be substantial, although difficult to ascertain, and monetary damages may not afford an adequate remedy, and (ii) if Employee is in breach of any provision of this Agreement, or threatens a breach of this Agreement, the Company shall be entitled, in addition to all other rights and remedies as may be provided by law, to seek specific performance and injunctive and other equitable relief, including, but not limited to, restraining orders and preliminary and permanent injunctions, to enforce the provisions of this Agreement, particularly those provisions governing noncompetition, nonsolicitation and confidentiality, contained in this Agreement, as well as to prevent or restrain a breach of any provisions of this Agreement. The parties expressly agree that the Company has these specific and express rights to injunctive relief without posting any bond that might be requested or required, and without the necessity of proving irreparable injury, and that Employee expressly agrees not to claim in any such equitable proceedings that a remedy at law is available to the Company. The existence of any claim or cause of action by Employee, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company or any of its affiliates of any provision hereof. The parties to this Agreement also expressly agree that the Company is entitled to recover any and all damages for any losses sustained, and rights of which it has been deprived, as well as any damages allowed by law.

(e) If any proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach or default in connection with any of the provisions of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorney's fees and other costs incurred in that proceeding, in addition to any other relief to which it may be entitled. All remedies for breach of this Agreement shall be cumulative and the pursuit of one remedy shall not be deemed to exclude any other remedies.

(f) Captions. The headings in this Agreement are for convenience only and do not affect the interpretation of this Agreement.

(g) Severability. To the extent any provision of this Agreement shall be invalid or enforceable with respect to Employee, it shall be considered deleted herefrom with respect to Employee and the remainder of such provision and this Agreement shall be unaffected and shall continue in full force and effect. In furtherance to and not in limitation of the foregoing, should the duration or geographical extent of, or business activities covered by, any provision of this Agreement be in excess of that which is valid and enforceable under applicable law with respect to Employee, then such provision shall be construed to cover only that duration,

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extent or activities which are validly and enforceably covered with respect to Employee. Employee acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement be given the construction which renders its provisions valid and enforceable to the maximum extent (not exceeding its expressed terms) possible under applicable laws.

(h) Entire Agreement. This Agreement contains the entire agreement and understanding by and between the Company and Employee, and, as of the Effective Date, supersedes all previous and contemporaneous oral negotiations, commitments, writings and understandings between the parties concerning the matters herein or therein, including without limitation, the Prior Agreement and any policy or personnel manuals of the Company to the extent any provisions herein are inconsistent therewith. No change to this Agreement shall be valid or binding unless it is in writing and signed by the parties.

(i) Indemnification. Isle shall indemnify Employee and hold Employee harmless to the full extent permitted by Section 145 of the Delaware General Corporation Law from and against any and all claims, liabilities and losses she may suffer arising in connection with Employee's employment as an officer of the Company as set forth herein, subject to the exceptions set forth in the Delaware General Corporation Law. The agreement of the Company set forth in this Section 5(i) shall survive the termination of this Agreement.

(j) Notices. All notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or sent by facsimile or prepaid overnight courier to the parties at the

addresses set forth below (or such other addresses as shall be specified by the parties by like notice). Such notices and other communications shall be deemed given:

- (i) in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery;
- (ii) in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail; or
- (iii) in the case of facsimile, the date upon which the transmitting party received confirmation of receipt by facsimile, telephone or otherwise;

provided, however, that in no event shall any such communications be deemed to be given later than the date they are actually received. Communications that are to be delivered by the U.S. mail or by overnight service are to be delivered to the addresses set forth below:

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If to the Company, to:

Isle of Capri Casinos, Inc.  
600 Emerson Road  
Suite 300  
St. Louis, MO 63141

Attention: General Counsel

If to Employee, to:

John Wilson  
At the most recent address on the Company's records

With a copy to:

(k) Independent Review and Advice. Employee represents and warrants that Employee has carefully read this Agreement; that Employee executes this Agreement with full knowledge of the contents of this Agreement, the legal consequences thereof, and any and all rights which each party may have with respect to each other; that Employee has had the opportunity to receive independent legal advice with respect to the matters set forth in this Agreement and with respect to the rights and asserted rights arising out of such matters, and that Employee is entering into this Agreement of Employee's own free will. Employee expressly agrees that there are no expectations contrary to the Agreement and no usage of trade or regular practice in the industry shall be used to modify the Agreement.

(l) Special 409A Provisions. Notwithstanding any other provision of this Agreement to the contrary, if any payment hereunder is subject to section 409A of the Code and if such payment is to be paid on account of Employee's separation from service (within the meaning of section 409A of the Code), if Employee is a specified employee (within the meaning of section 409A(a)(2)(B) of the Code), and if any such payment is required to be made prior to the first day of the seventh month following Employee's separation from service, such payment shall be delayed until the first day of the seventh month following Employee's separation from service. To the extent that any payments or benefits under this Agreement are subject to section 409A of the Code and are paid or provided on account of Employee's termination of employment or the Term of Employment, the determination as to whether Employee has had a termination of employment (or separation from service) shall be made in accordance with section 409A of the Code and the guidance issued thereunder without application of any alternative levels of reductions of bona fide services permitted thereunder. Any delayed payment shall be made without liability for interest or other loss of investment opportunity.

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IN WITNESS HEREOF, each party has caused this Agreement to be executed in a manner appropriate for such party as of the date first above written.

**ISLE OF CAPRI CASINOS, INC.**

By: /s/ Virginia McDowell  
Name: Virginia McDowell  
Its: President and Chief Executive Officer

**EMPLOYEE**

/s/ John Wilson  
John Wilson

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**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Virginia M. McDowell, Chief Executive Officer of Isle of Capri Casinos, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Isle of Capri Casinos, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2013

/s/ Virginia M. McDowell  
Virginia M. McDowell  
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Dale R. Black, Chief Financial Officer of Isle of Capri Casinos, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Isle of Capri Casinos, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2013

/s/ Dale R. Black  
Dale R. Black  
Chief Financial Officer



**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Isle of Capri Casinos, Inc. (the "Company") on Form 10-Q for the period ended January 27, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Virginia M. McDowell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 20, 2013

/s/ Virginia M. McDowell

Virginia M. McDowell  
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Isle of Capri Casinos, Inc. (the "Company") on Form 10-Q for the period ended January 27, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Dale R. Black, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 20, 2013

/s/ Dale R. Black  
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Dale R. Black  
Chief Financial Officer

